

May 15 1991
Highs
many
May 14

Australia	100.00	100.00	100.00
Belgium	100.00	100.00	100.00
Canada	100.00	100.00	100.00
France	100.00	100.00	100.00
Germany	100.00	100.00	100.00
Italy	100.00	100.00	100.00
Japan	100.00	100.00	100.00
Netherlands	100.00	100.00	100.00
Portugal	100.00	100.00	100.00
Spain	100.00	100.00	100.00
Sweden	100.00	100.00	100.00
Switzerland	100.00	100.00	100.00
UK	100.00	100.00	100.00
USA	100.00	100.00	100.00



FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

NEW CARS
Going downmarket
in Brazil
Page 14

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Thursday May 16 1991

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World News Business Summary

Yugoslavia in crisis after bid to elect Mesic fails

Yugoslavia was plunged into a constitutional crisis when the collective presidency's failure to elect Mr Stipe Mesic, a Croat, as president left the country without an effective head of state. Page 15

Soviet market move

The Soviet government said it was close to agreement with the country's republics to stop the plunge in production by the end of the year and institute a rapid move to the market. Page 18

Japan mourns Abe

The death of Shintaro Abe, 67, one of the leaders of the ruling Liberal Democratic Party, shook Japanese political circles. He had been seen as a future premier. Page 18

Ulster compromise

A fragile compromise agreed by Ulster Unionist leaders at a meeting with British prime minister John Major averted, at least temporarily, the collapse of talks on Northern Ireland's future. Page 19

More fast trains

France is to adopt a TGV200 (260km/h) train which will more than double the size of its successful TGVs. A Grande Vitesse (TGV) network over two decades. Page 2

Peru drugs accord

The US and Peru signed a long-awaited agreement on drug trafficking which gives coca farmers a right to be heard. Page 2

Egyptian chosen

Arab ministers elected Egyptian Foreign Minister Esmat Abdel Maged as secretary general of the Arab League. Page 2

Rome protest

Police dispersed about 300 African immigrants near Rome's town hall and detained about 100 for identity checks. They were protesting at an order to leave a hotel. Page 2

Pinchot in Lisbon

Chile's former military ruler General Augusto Pinochet arrived in Portugal on the last leg of a foreign tour shrouded in secrecy. Lisbon rebuffs. Page 2

Thatcher visit

Former British prime minister Margaret Thatcher arrived in Cape Town to begin a visit which the African National Congress women's league has threatened to disrupt. Page 2

Swiss bank fire

Staff were evacuated from the Bank for International Settlements in Basel after a short circuit caused a fire. Page 2

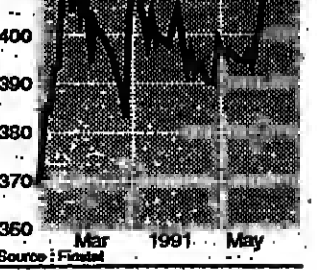
Maradona hearing

Disgraced Argentine soccer star Diego Maradona, 30, was ordered to appear in a Naples court on May 31 to face charges of using and trafficking in drugs. Page 2

Lufthansa income falls to DM15m from DM110m

Lufthansa, German national airline, announced that 1990 net income fell to DM15m (\$8.7m) from DM110m the year before. Mr Heinz Ruhman, outgoing chief executive, announced that the group would not pay a dividend on its ordinary shares after a "clear operating loss." Page 19

Silver



MARKETS

Frankfurt drifted lower, with the DAX index closing 8.15 lower at 1,580.35. Paris had anticipated the resignation of Prime Minister Michel Rocard and the removal of the political uncertainty helped the CAC 40 index recover from a day's low of 1,785.47, to close 2.94 down at 1,802.63. In Tokyo the overnight fall on Wall Street and index-related selling pushed the Nikkei average down 207.61 to 15,822.47. New York's stock market fell in early trading, depressed by an unexpected fierce profit-taking from Compag Computer which helped nudge the Dow Jones down 10.75 to 2,576.12 by 1:30 p.m. Stock market reports, Page 2

NEWS Corporation

Mr Rupert Murdoch's media group has revealed a net loss of \$420m (\$171m) for the three months to the end of March, after absorbing costs of its recently concluded \$8bn debt-refinancing. Page 19

Sony, Japanese company

which brought the world the Walkman, has announced the launch of the Mini Disc, an audio disc which can be played on a machine the size of a cigarette packet. Page 19

ROCHEST, German chemical group

reported an 11 per cent drop in pre-tax profits in the first quarter of 1991 to DM620m (\$479.5m). Page 19

NIGERIA is to lift a 12-year ban on British Petroleum's operations

Page 19

AUSTRALIA'S Consumer Price Index fell by 0.2 per cent in the three months to March, pushing the annualised rate of inflation down from 6.9 per cent to 4.9 per cent, the lowest for nine years. Page 4

GERMAN-Finnish consortium led by Siemens' energy unit KWB has won Soviet orders worth up to FM700m (\$170m) to build power generators in Leningrad. Page 5

EUROPEAN Community has extended anti-dumping duties on imports of small-screen colour TVs from China and Hong Kong. Page 5

ASAHI Jukens, Japanese condominium developer with debts of Y570bn (\$46m), has turned to its creditors for a rescue, a casualty of the collapse of the speculative boom in Japanese land prices. Page 21

ESTIMATED \$170bn of investment will be needed over the next 20 years to satisfy growing European demand for gas, according to Mr J. Roland Williams, managing director of Shell International Gas of the UK. Page 34

Kohl confirms Pöhl's resignation from Bundesbank

By David Goodhart and David Marsh in Bonn

MR KARL Otto Pöhl, president of the Bundesbank, will announce his resignation at a lunchtime press conference in Frankfurt today, German chancellor Helmut Kohl confirmed yesterday. Mr Kohl also attempted to damp the impact of the resignation by denying that there had been major policy differences between them and stressed the continuity of Germany's price stability policy. "It is not my responsibility to announce Mr Pöhl's decision," Mr Kohl said before a meeting between the two men at which the Bundesbank president was due to spell out his reasons for leaving. "Mr Pöhl has his reasons but it is up to him to say what they are," added Mr Kohl. Mr Kohl said there had been occasional "differences of opinion" between them but added that overall their relationship had been "excellent". He said: "We will not do anything that will endanger the stability of the German currency. We will not follow a policy of easy money."

In both Bonn and Frankfurt the firm favourite to succeed to Mr Pöhl's job is Mr Hans Tietmeyer, a member of the Bundesbank board and former state secretary in the Finance Ministry. However, Mr Kohl said there might be other candidates. It seems increasingly likely that Mr Pöhl will go quite soon, possibly before the end of the year, and most probably to a better-paid job in the private sector. One senior official in Bonn said yesterday: "When Mr Pöhl looks out of his 12th floor window at the Bundesbank he can see the offices of Deutsche Bank, Dresdner Bank and Commerzbank, and the people at the top there all earn a great deal more than him."

Mr Pöhl gave no hint of his intention to resign to fellow central bankers at a two-day meeting at the Bank of International Settlements earlier this week. The D-Mark strengthened slightly against the dollar yesterday with the markets anticipating a short-term tightening of monetary policy as a sign of continuity during the leadership change at the Bundesbank.

Meanwhile, the possibility that Mr Jürgen Möllemann, the economics minister, would also resign later this year receded when a cut of DM50m (\$2.9bn) in west German tax subsidies was agreed by the finance working party searching for a total of DM100m in subsidy reductions in the west by early July. He has threatened to quit if the DM100m cannot be found. No agreement is yet in view on reducing subsidies to the coal industry or farmers. Background, Page 3; Currencies, Page 42

Cresson replaces Rocard as French prime minister

By Ian Davidson, George Graham and William Dawkins in Paris

PRESIDENT François Mitterrand yesterday replaced Mr Michel Rocard as France's prime minister with Mrs Edith Cresson, in a move which seemed likely to shift France's political government to the left. Mrs Cresson, 57, will be the country's first woman prime minister, and is expected to bring a more aggressive style and content to economic and social policy. Mr Rocard handed in his resignation yesterday after several days of mounting speculation over his departure. He had always declared his intention of remaining in office until the next legislative elections in 1993, but Mr Mitterrand has appeared anxious to give a new impetus to his administration. Mr Mitterrand last night identified the task of the new government as being the preparation of France for the European single market and said Mrs Cresson "the fittest to reach the target of 1993". After three years in office, the government has become increasingly bogged down in the difficulties of managing without an absolute majority in parliament, as well as in a series of political financial scandals.

While these scandals have not concerned Mr Rocard himself, they have certainly hampered his government. As the most likely socialist candidate in the presidential election of 1995, Mr Rocard, 60, may also benefit politically from distancing himself from the government's troubles. His chances of winning the socialist nomination were boosted last night by Mr Mitterrand's letter accepting his resignation. "Today begins a new stage in your public life. I have the conviction that it will offer you other chances to serve France."

Since Mrs Cresson herself is not regarded as a possible presidential candidate, she, too, may have an easier task in managing rival contenders such as Mr Lionel Jospin, currently education minister, or Mr Laurent Fabius, chairman of the national assembly. Mrs Cresson's appointment was welcomed on feminist grounds by a number of senior female politicians including the conservative Mrs Simone Veil, former president of the European Parliament. Other right-wing politicians, however, were more critical. Mr Charles Millon, head of the centre right UDF parliamentary party, warned that her nomination would mean a "new alliance with the communists". Mrs Cresson is a close supporter of Mr Mitterrand, and so will avoid the appearance of conflict between president and prime minister which has dogged Mr Rocard's administration.

Mayor of Châtelleraut, near Poitiers in western France, Mrs Cresson joined Mr Mitterrand's Convention des institutions européennes in 1985, following the future president to the socialist party in 1971. A former minister of foreign trade, Mrs Cresson has always battled for a tough and interventionist policy in favour of industry, and hostility to Japanese car imports. In particular, she is expected to herald a clash of wills with her more liberal European partners. It was in protest at Mr Rocard's "lack of an industrial strategy" that she resigned as European affairs minister from his cabinet in October. She is expected, however, to continue on Page 16



Edith Cresson: expected to bring a more aggressive style

Brussels approves draft plans to ban all tobacco advertising

By Andrew Hill in Brussels

DRAFT legislation which would ban all direct and indirect tobacco advertising was approved by European commissioners yesterday, but doubts are already being raised in Brussels about the enforceability of the measure. The legislation would end all press, radio, cinema, billboard and poster advertising of tobacco and tobacco products in the EC after 1992. In effect, publicity would only be allowed inside tobacco shops. Television advertising will be prohibited by another directive which comes into force at the end of October.

The new directive would also have a profound effect on tobacco company sponsorship, particularly of sports events: sponsorship itself would not be outlawed, but brand logos could not be displayed. Other goods produced by tobacco groups, such as clothes carrying cigarette-brand logos, would also be banned if they were "promoting a tobacco product". However, luxury goods manufacturers which also produce cigarettes, such as Dunhill, would probably escape the ban.

Mr Ken Collins, Labour MEP and chairman of the European Parliament environment committee, said yesterday that the measure was "great news - a major blow against cancer. We can look forward to a much healthier European Community". But five out of 15 commissioners at yesterday's meeting in Strasbourg voted against the directive, including prominent free-marketers like Sir Leon Brittan and Mr Martin Bangemann.

Although sharing the objectives of Mr Vasso Papandreu, the social affairs commissioner, some dissenting colleagues believe she will have difficulty sustaining her case that the directive is an important part of the 1992 single market programme for harmonising health and safety standards. "To say effectively that reading advertisements damages your health is questionable," one EC official said yesterday. The internal debate also revolves around Brussels' right to restrict advertising freedom and may foreshadow fierce resistance by some member states.

Last December, health ministers rejected a more modest measure restricting tobacco advertising. The UK, Germany and the Netherlands objected on the grounds that it would cut across existing voluntary agreements with the tobacco industry. After that failure, the Commission decided to go for a complete ban, on the grounds that public opinion was strengthening against tobacco advertising and the single market would be distorted if different national measures were still in place at the end of 1992. As an internal market measure, the new directive will need only a qualified majority of member states in its favour and not unanimous approval. But with the powerful and vociferous cigarette-makers' lobby already arming itself for battle, it may yet face a tough fight.

As an internal market measure, the new directive will need only a qualified majority of member states in its favour and not unanimous approval. But with the powerful and vociferous cigarette-makers' lobby already arming itself for battle, it may yet face a tough fight.

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MARKETS

STERLING New York lunchtime: \$1.755 London: \$1.748 (1.7365) DM2.865 (2.9575) FF10.03 (10.1075) SF2.5 (2.49) Y241.25 (240.25) £ index 91.9 (91.8) GOLD New York: Comex Jun \$365.5 (\$31.2) London: \$360.15 (\$37.8) IN SEA OIL (Argus) Brent Jul \$19.3 (same) Chief price changes yesterday: Page 15	DOLLAR New York lunchtime: DM1.8855 FF5.725 SF1.4288 Y137.6 London: DM1.89 (1.7015) FF5.7375 (5.7825) SF1.4305 (1.432) Y137.05 (138.2) £ index 92.4 (92.8) Tokyo close: Y137.89 US lunchtime rates Fed Funds 6% 3-mo Treasury Bills: yield: 5.618% Long Bond: 7.73% yield: 8.321%	STOCK INDICES FT-SE 100: 2,459.2 (-4.5) FT Ordinary: 1,262.2 (+0.9) FT-A All-Share: 1,190.82 (-0.2%) New York lunchtime: DJ Ind. Av. 2,679.47 (-7.38) S&P Comp: 370.61 (-0.61) Tokyo: Nikkei 25,822.47 (-207.61) LONDON MONEY 3-month interbank: closing 1131% (111.5) Life long gilt future: Jun 80 91 (90.5)
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EUROPEAN NEWS

Jobless rise puts pressure on Poles to reflate

By Christopher Bobinski in Warsaw and Anthony Robinson in London

MR Leszek Balcerowicz, Poland's finance minister, will today be forced to defend his radical free market policies against critics urging reflation in the face of rising unemployment.

His stand will come at a top level two-day meeting of Polish economists and government officials in Warsaw, to be chaired by President Lech Walesa.

Mr Balcerowicz's insistence on the need to make the fight against inflation the top priority will come under attack by critics both within and outside government who argue for less painful policies in the run-up to general elections this autumn. Unemployment is expected to climb to 2m from the present 1.5m by the end of the year.

Meanwhile, the latest official figures show a \$325.6m (£204m) trade deficit for the first four months, increasing pressure on the authorities to reflate the economy and to devalue the zloty against the dollar after nearly 17 months of exchange rate stability combined with high domestic inflation.

Speaking before 300 British businessmen at a conference organised by the Confederation of British Industry (CBI) in London yesterday, Mr Balcerowicz reaffirmed Poland's commitment to the creation of a "competitive, market style, capitalist economy".

He called on British companies to increase direct invest-

ment and use their company doctor skills to revitalise former state companies.

Many foreign businessmen had failed to appreciate the extent of the economic changes which had already led to privatisation of 30 per cent of the Polish economy, internal convertibility and large-scale legal and institutional reforms, he added.

Last month Poland reached a 50 per cent debt relief agreement with the Paris Club of official creditors and agreed a three-year structural adjustment credit from the International Monetary Fund. Both are linked to the continuation of present policies aimed at reducing inflation to about 30 per cent this year. "I am sure that President Walesa understands what is at stake," Mr Balcerowicz added.

Official statistics yesterday showed that economic activity slackened again last month as inflation slowed. Preliminary figures show industrial sales fell 10 per cent in April compared with the previous month and were 9 per cent lower than the same month last year.

Meanwhile inflation in April grew by only 2.7 per cent compared with 4.5 per cent in March.

This week workers at the Lubin copper mines went on strike in support of a 100 per cent wage claim and next week the government faces protest action by the Solidarity trade union.

Community labour law compromise forecast

By David Buchan in Strasbourg

A WARNING that the Community might have to content itself with amalgamating existing labour market rules, rather than making them more stringent, was given yesterday by the Luxembourg presidency.

Mr Jean Claude Juncker, the grand duchy's labour minister, told MEPs his government's draft treaty on political union, aimed at passing more social legislation by majority, might fail to quell the "old demons" of legalistic wrangling which bedevil this area of EC law-making. "The most important thing is to ensure that countries' existing social laws are not downgraded" in an effort to attract investment and jobs, he said.

His intervention reminded the pro-Social Charter majority in the parliament that Britain was not alone in holding up social advance in the Community.

Mr Juncker said it was difficult to draw a clear legal line in social policy between what should be passed by majority and what should continue to require unanimous approval of the Twelve. To simplify this, Luxembourg officials said, changes were currently being made to the draft treaty.

Mr Juncker warned MEPs that their governments often behaved perversely in the Council of Ministers. He cited the case of Spain joining the UK in demanding that, under the present EC treaty, measures to regulate working time and to improve conditions for pregnant workers must have unanimity, even though this would effectively block legislation which Madrid supports in substance.

Ms Vasso Papandreou, the EC social affairs commissioner, took a more trenchant tack in the debate, promising MEPs that the Commission was doing all it could to produce its promised social directives.

The blame for inaction lay with the Council, she said, adding that there was no sign yet of any moderation in Britain's hostility.



Only charred facades were left standing after the fire which destroyed Lisbon's old centre in 1988

Lisbon waits for a phoenix to rise

Patrick Blum reports that rebuilding is about to start in the Chiado

It was August 1988 when the Chiado, Lisbon's historic centre, was destroyed by fire. Only now, at long last, are the first cranes due to move into the area and start rebuilding. It is not before time.

The master plan for rebuilding has been ready for over a year and work was expected to start last summer, but objections to aspects of the plan by some of the owners, legal difficulties over access to the special restoration fund and bureaucratic infighting kept the cranes at bay.

After months of controversy the Lisbon authorities decided to break the deadlock. They provisionally took over and threatened to expropriate part of the site owned by the Banco Internacional do Funchal (Banif), a Madeira-based bank, which had objected to the planned construction of a hotel on its land, and as a result delayed the start of work.

The decision was pushed forward by the Lisbon council's socialist majority and supported by all other council members present. It could still be challenged in the courts, but Mr Pedro Siza Vieira, legal adviser to Mr Jorge Sampaio, the socialist party leader and mayor of Lisbon, believes this

European Diary



Portugal

is unlikely. "They might try to contest the decision, but I don't think they will, and we expect work to start by the beginning of next month," he said.

For all those who loved the district's narrow hilly streets and who mourned the loss of many of the capital's finest traditional shops and old cafés, the start on restoration is long overdue. Only rubble and the gutted buildings' charred facades, propped up by scaffolding, remain. Most of the Chiado was destroyed and many of its shops have moved elsewhere in the city, raising fears that the Chiado may never regain its former character.

The scale of the task of reconstructing 18 buildings, some dating back to the 17th century, in a core area of 9,000 square metres, with buildings in another 4,000 square metres also needing repairs, meant that large parts of the area have to be closed off. But Banif had refused to grant permission because of its objections. It was thus in desperation that the council decided to take administrative control of the site of the Grandes Armazens do Chiado, a former department store belonging to Banif whose location allows proper access to the area.

For commercial reasons Banif favoured rebuilding offices rather than the multi-purpose development, including the hotel, envisaged in the master plan drawn up by Mr Alvaro Siza Vieira, a renowned Portuguese architect.

The plan aims to preserve the area's traditional character while allowing more people to live there under better conditions and in greater safety. The lack of fire precautions and difficulty of access in the old Chiado greatly contributed to the speed at which the fire progressed and to the extent of the damage. Before the fire, only six families lived in the area and it was deserted at

night. The plan envisages that about one third of building space should be for housing, one third for shops, and the rest for cafés, restaurants, cinemas, galleries and a luxury hotel.

Almost all of the buildings' facades will be restored, though not to the extent that it changes the old Chiado's distinctive identity.

The costs will be high. Rebuilding the central area alone was estimated a year ago at Esc7bn (£28m), not including the cost of repairs to adjacent buildings and over Esc1bn already spent on maintaining the buildings left standing after the fire.

The European Community and the United Nations Educational, Scientific and Cultural Organisation (Unesco) are providing extra finance. Building owners have access to a special line of credit at low interest and are being encouraged with an extra bonus if they agree to give the go-ahead for work before the end of this month. "Everything has been sorted out now, so there's no reason why we shouldn't start with the work," the town hall official says.

Paris to double TGV rail network

By William Dawkins in Paris

THE French government is due shortly to adopt a FF210bn (£21bn) plan to more than double the size of the country's successful Trains à Grande Vitesse (TGV) network over the next two decades.

The scheme, tabled a year ago by the SNCF, the French rail board, has just been agreed by an interministerial committee.

It is due to be confirmed by a state decree in the next few weeks, committing the government in principle to the construction of 16 new lines, leaving France with a 4,700km TGV network, of which 700km is already in service and 500km is under construction.

The exact timing of construction will depend on the results of consultations with local communities and the availability of cash from the state and local authorities, some of which will be asked to subsidise less profitable routes. SNCF officials expect to begin inquiries in the next few months into a TGV line from Paris to Strasbourg and an extension to a planned route through southern France towards the Spanish border.

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EUROPEAN NEWS

Kohl may increase funding for Soviet troop withdrawal

By David Marsh in Bonn

GERMANY would be prepared to increase its funding to ensure that all Soviet troops are removed from east Germany by the end of 1994, if necessary via the Baltic Sea rather than across Poland, Chancellor Helmut Kohl said yesterday.

Answering questions at a foreign policy conference, he said the government would be willing to pay more than the DM12bn agreed last year if this was required to withdraw the soldiers via the sea route.

"In the case that the water route is necessary, if this was more expensive, that would be no reason not to do it," Mr Kohl said at the conference organised by his Christian Democratic Union.

The remarks, during a meeting in which the CDU attempted to put a new stamp on German foreign policy, represented the first admission from a senior figure that Bonn may have to raise its contribution to the withdrawal of Soviet troops.

As a key component for win-

ning Soviet approval for German unification, Bonn agreed last autumn to provide DM12bn in grants plus a DM30bn interest-free loan to finance the pull out. In recent months Poland's desire for extra funding to facilitate withdrawal of Soviet soldiers and equipment by rail across Polish territory has threatened disrupting the withdrawal schedule.

There have been persistent reports in the last few months that the Soviet Union is asking Bonn for more money to surmount the difficulties in bringing home the overall number of 350,000 troops.

Later in the discussion Mr Kohl remarked in unusually outspoken tones about the Soviet Union's difficulties in paying for ships purchased from shipyards on the east German coast, heavily dependent on orders from Moscow. "They take the ships, but they do not pay for them," said Mr Kohl, adding that this hardly corresponded to German ideas of a market economy.

Yesterday's conference opened with a powerful, although indirect attack on Mr Hans-Dietrich Genscher, the foreign minister, from Mr Volker Rühe, the CDU general secretary.

Mr Rühe quoted a speech by Mr Genscher during the Gulf war in which the Free Democrat foreign minister said that the world should be glad that Germany was showing "red-tiveness" about the use of force in the Gulf war.

Mr Rühe, who has his ambitions eventually set on taking over the foreign ministry post for the CDU, said: "Whoever speaks like this does not simply think in false alternatives, but also states that the Germans have a special form of morality in comparison with our western partners."

Mr Kohl also expressed dissatisfaction with Germany's overall response to the Gulf conflict.

He promised that the Bundestag would later this year decide on the question of changing the constitution to



Kohl: admission

allow the German army to be deployed in United Nations missions abroad.

This proposal, promised as a priority after the December general elections, has slipped down the parliamentary timetable because of conflicting views within the coalition and with the Social Democratic opposition.

Commission in move to protect software

THE 12 EC nations have unanimously approved a measure to give computer software the same copyright protection as books and works of art, the Commission said yesterday. AP reports from Brussels. The new law is aimed at stopping software piracy, which costs companies in the seven EC nations without protective measures \$4.5bn (\$2.6bn) a year, an EC official said.

Soon, computer programs "will benefit everywhere in the Community from the same level of author's rights as literary, musical or artistic works," the Commission stated. Software protection would be added to international copyright accords if the EC's main trade partners agreed.

Until now, five EC countries, Britain, France, Germany, Spain and Denmark, had software-protection legislation.

"To avoid a mosaic of quite different national texts, the Commission proposed coherent European legislation," the statement added.



Police detain a demonstrator after rioting youths in Brussels damaged a police station, shops and cars. Three Moroccan and a Spanish were arrested after Tuesday night's clashes - which followed three days of rioting at the weekend. Officials

blame the heavy concentration of young, poor, ill-educated and jobless immigrants in some of the capital's districts for the unrest, aggravated by the police force's lack of training in handling interracial conflicts.

Outspoken Westphalian likely to take charge of central bank Tietmeyer tipped as Bundesbank chief

By David Marsh in Bonn

CHOOSING a new German central bank chief is a slightly less complicated exercise than electing a new Pope. But skill is still needed to decipher the smoke signals from the decision-making cardinals - in this case from the grey men in the Bonn Chancellery and Finance Ministry.

In advance of the resignation announcement by Mr Karl Otto Pöhl, the Bundesbank president, today, attention turns to Mr Hans Tietmeyer, the Bundesbank director, who is widely expected to take over.

Mr Tietmeyer, a member of Chancellor Kohl's Christian Democratic Union (CDU), is a solid and opinionated Westphalian who knows and speaks (often at some considerable length) his own mind.

He developed a close political rapport with Mr Theo Waigel, the finance minister, during the nine months in 1989 in which Mr Tietmeyer served under Mr Waigel as state secretary at the finance ministry.

Mr Pöhl respects Mr Waigel. But Mr Pöhl has never forgotten that the current

finance minister twice - in 1979 and 1987 - as a more junior politician opposed his nomination and, later, re-election as head of the central bank.

Towards the end of 1989 both Mr Waigel and Mr Tietmeyer spoke out in irritated tones about the lack of support Bonn was receiving from allies like Britain and France in pursuit of German unification.

Mr Pöhl would never have done this.

This is partly because he is more diplomatic, and partly because he was never particularly interested in German unity.

(Mr Pöhl now however is developing greater interest in east Germany. He is exploring the idea of helping establish a new international university at Erfurt in the eastern part of the country.)

Had Mr Pöhl announced his departure a few years earlier, Mr Helmut Schlesinger, vice president since 1980, would have been the main candidate as successor. Mr Schlesinger is, however, due to retire in September next year.

Although an extension beyond the normal 65-year retirement age is possible, the Bundesbank's statutes state that a presi-

dent must be appointed for at least two years.

The trail of German central bank chiefs is studded with upsets. The two last Reichsbank presidents, Mr Hjalmar Schacht and Mr Walther Funk, both ended in the dock at the post-war Nuremberg tribunal. Mr Schacht was acquitted, whereas Mr Funk received a life sentence. Bitter strife over displacing Mr Schacht's predecessor in 1923, Mr Rudolf Havenstein (who had been appointed for life), was resolved only when Mr Havenstein obligingly died of a heart attack.

More recently, Mr Wilfried Guth turned down the job of Bundesbank chief when he was offered the post by former Chancellor Helmut Schmidt in 1979. Mr Pöhl was nominated instead.

One of the reasons behind Mr Guth's rejection of the job was that he could earn more money, and with greater personal freedom, outside the Bundesbank. More than a decade later, these same issues have been important factors behind Mr Pöhl's decision to seek life beyond the Bundesbank.

Sino-Soviet border pact may emerge from Moscow summit

By John Lloyd in Moscow and Yvonne Preston in Peking

AN AGREEMENT on the long disputed border between the Soviet Union and China could be signed in Moscow this week, Wu Jian Min, the Chinese foreign ministry spokesman, said last night.

Wu was speaking after the first round of talks between Jiang Zemin, the general secretary of the Chinese Communist party and President Mikhail Gorbachev, general secretary of the Soviet party.

He said that "both sides have made substantial progress towards agreement, on the basis of mutual understanding and concessions".

The official China News Ser-

vice reported yesterday that both sides had almost reached agreement on the delineation of the 7,000km-long border, but though this applies to the greatest part of the border the demarcation of around 10 per cent of it still presents some problems.

The Russian-speaking Chinese general secretary, the first Chinese party chief to visit the Soviet Union since 1957, was accorded the full diplomatic honours befitting a head of state. He then spent 2½ hours in talks in the Kremlin with Mr Gorbachev. His spokesman said that "the significance of this summit is to

close the door on the past and to open the door to future relations".

He said that "agreement between the Soviet Union and China would promote peace and stability in the Pacific region, without harming the interests of third parties".

Rather pointedly, Mr Jiang told the embattled Soviet leader, who visited Peking two years ago during pro-democracy protests, that "practice has shown that stability is very important for a country as large as China".

"Without stability there can be no reforms and no development".



Tietmeyer: close political rapport with Waigel

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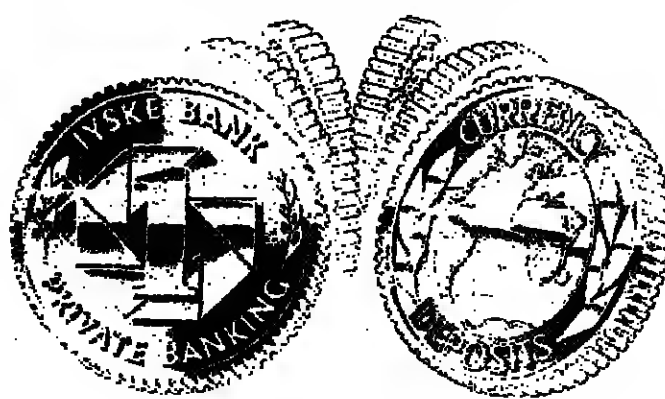
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INTERNATIONAL NEWS

Baker perseveres with Israel in drive to further peace

By Hugh Carnegie in Jerusalem

MR JAMES Baker, the US Secretary of State, held lengthy talks with Israeli leaders yesterday, as he persevered doggedly with his two month old Middle East peace mission despite rising scepticism over his chances of success.

"We are still working," Mr Baker said after two hour discussions with Mr Yitzhak Shamir, the Prime Minister and Mr Moshe Arens, the Defence Minister.

The second session was joined by Mr David Levy, the Foreign Minister, who had just returned from talks in Brussels with European Community foreign ministers.

Both sides said further talks would follow before Mr Baker was due to depart today.

Mr Baker, coming to the end of his fourth Middle East shuttle since mid-March, has so far refused to give up his attempt to convene a regional peace conference that would trigger the first significant Arab-Israeli negotiations since Israel and Egypt made peace 12 years ago, despite deep differences between Israel and Syria over how the conference should work.

Mr Shamir is adamant that the United Nations should play no part in the conference. Syria says it must participate. Israel wants an extension of the full conference beyond a symbolic opening function.

Syria says it must periodically reconvene to monitor progress in bilateral negotia-

tions. Mr Baker apparently presented the Israeli ministers yesterday with a memorandum listing points of agreement and disagreement.

There were indications from the Israeli side that the possibility had been raised of a less ambitious peace plan excluding Syria under which Israel would enter negotiations with Jordan and the Palestinians.

Before joining the talks, Mr Levy gave an upbeat assessment of his recent talks in Brussels. He said Israel's requests for aid to finance Soviet Jewish immigration and trading status equivalent to that accorded to the Efta countries had been received with "understanding and readiness".

He said he favoured allowing the EC to play a prominent role in the peace process - a situation which Israel until quite recently opposed - if the community accepted what he called US-Israeli protocols on the process and it was clear Israel would continue to be accorded "special status" by the EC.

Israel is particularly anxious to win the same conditions as Efta countries on "rules of origin" for its high-tech exports.

Under its present 1975 free trade agreement with the EC, the country's most important trading partner, Israel faces tighter restrictions on the inclusion of non-Israeli inputs in its products than Efta.



Mr Baker crosses the Jordan river yesterday into Israeli-occupied West Bank. He was accompanied by Brig Gen Gadi Zohar, head of the Israeli civilian administration

Kurd relief drive at a crucial point

By John Murray Brown in Ankara

A MONTH after its launch, the international relief operation to assist Kurdish refugees is at a crucial point. While leaders of the Kurds negotiate with the Baghdad regime on the terms of an autonomy agreement, refugees close to the Turkish border still await signs that it is safe to return home.

"It's just like M.A.S.H.," said Prince Sadruddin Aga Khan, the UN special envoy, after a visit yesterday to Zakho, the Iraqi town which is at the centre of the allied plan to create a safe haven for the refugees.

The coalition forces in northern Iraq, like the US marines in the popular television serial, are longing to go home, an attitude which Baghdad is keen to encourage.

But President Turgut Ozal of Turkey has urged the coalition forces to stay, fearing that without them many refugees will refuse to return home. Even in Zakho security appears uneasy, as illustrated on Monday when British marines were fired on by Iraqi soldiers.

The latest UN proposal, unveiled by Mr Pérez de Cuellar, the secretary general, envisages deploying 400-500 lightly armed UN personnel. "The Iraqis have understood they do not need the UN for very long. It's only because of the sanctions," said Prince Sadruddin.

Officials said he had discussed the idea with Iraqi officials in Baghdad. Iraq had earlier rejected both a UN peacekeeping force and the British proposal for a UN police force to take over security.

The UN, while insisting its plan is distinct from the safe havens concept, has already shifted position. On Monday, the UN High Commissioner for Refugees, the lead agency, formally took control of the Zakho transit camp. A statement said the UNHCR had assumed responsibility on the expectation that "the current conditions of security will prevail".

The UN earlier set its conditions to take over the camp. It had to be ready, funded, and demilitarised. What we mean is there are no coalition forces, no arms in the camp and no visible arms in the town. We are not going to operate in the camps as part of the occupying force," said one UN official.

The prince believes the UN's increased presence could be the incentive for refugees to return. "The real test is the number of people going back," he said. "Since we planted the UN flag in Zakho very nearly 160,000 have arrived."

Australian rate of inflation at nine-year low

By Kevin Brown in Sydney

AUSTRALIA'S Consumer Price Index fell by 0.2 per cent in the three months to March, pushing the annualised rate of inflation down from 5.9 per cent to 4.9 per cent, the lowest for nine years.

The quarterly fall - the first since 1983 - was almost entirely due to a bigger than expected reduction in fuel costs, and lower mortgage charges following an easing in interest rates early in the year.

However, the figures will provide welcome relief for Mr Bob Hawke's Labor government, which has been damaged by four quarters of slow or negative growth and a rapid rise in unemployment to 9.9 per cent. Mr Hawke said the annualised rate was "not a figure that is capable of achievement in any of our main trading partners", and forecast that Australian inflation would remain below the OECD average of 6.7 per cent.

Mr Paul Keating, the Treasurer, said the inflation was "an historic result for the country's long-term economic well-being", and claimed Australia was on course for a decade of low inflation.

Mr Keating said there were few inflationary pressures in the economy, and suggested the index might rise by as little as 0.5 per cent in the three months to June, which would cut the annual rate to 3.8 per cent.

The Treasurer said the March figures "bode well for lower interest rates", but refused to say when a reduction might come. Analysts said that the official money market rate of 11.5 per cent was likely to fall before the end of the month, probably by 50 basis points, with a further cut delayed until June.

Most forecasters said the annual rate of inflation would fall to between 3 per cent and 4 per cent by the end of the year, but would accelerate to around 5 per cent next year, especially if the economy begins to recover.

However, the underlying rate will probably remain at around 4.5 per cent, which would represent a significant improvement on the average of around 8 per cent for the last two decades.

The Liberal opposition said the improvement was welcome, but claimed it was an unintended consequence of the recession sparked by the government's high interest rates policy.

Dr John Hewson, the Liberal leader, urged the government to adopt the New Zealand inflation target of 0.5 per cent, and said a Liberal government would step up the fight against inflation by increasing the independence of the Reserve Bank of Australia.

Japanese opposition leader wants to resign

By Robert Thomson in Tokyo

MISS Takako Doi, leader of the main opposition Social Democratic Party of Japan, yesterday indicated that she wanted to resign to take responsibility for the collapse of the party's popularity.

The SDPJ, formerly known as the Japan Socialist Party, has performed poorly in recent local elections and Miss Doi, once seen as a potential prime minister, has been under pressure to resign the chairmanship from younger members of her party.

Miss Doi told a meeting of branch representatives yesterday that the entire leadership had contemplated resigning to take responsibility for the party's problems, but that a formal decision on a reshuffle should wait until an extraordinary conference in July.

The party is divided by argument between younger, pragmatic reformers and more orthodox Marxist members, who have held the balance of power at senior levels, but who are reckoned to represent 30 per cent or less of the membership. Miss Doi indicated that if she does resign, the decision should be seen as part of the leadership's determination to make "a fresh start", though she would like to set party reform in motion before she leaves office.

Whether Miss Doi leaves the post is likely to depend on a party debate on allowing ordinary members to choose the next leader instead of senior party representatives who find it difficult to agree.

Younger SDPJ parliamentarians fear that change is impossible with Miss Doi leading the party, as she agrees with the left-wing on several important issues and has been personally unwilling to adopt more pragmatic policies.

India is offered \$1.2bn credits

By David Housego in New Delhi

THE INDIAN government, which is having increasing problems financing imports, has been offered \$1.2bn in suppliers' credits by the Hinduja group, the Indian-owned trading and financial concern based in London.

The Hinduja proposal would involve a \$1bn loan for the purchase of oil and petroleum products and \$200m for fertilisers and non-ferrous metals. Both would be supplied under long-term agreements through trading arms of the Hinduja group. They would be financed out of a rolling 180-day credit line.

The offer comes at a time when the drop in India's creditworthiness abroad has virtually closed the door to fresh commercial borrowing abroad by Indian institutions.

Indicators of the gravity of the situation, US banks recently reduced by \$1bn the \$3.2bn short-term credit facilities they had provided to Indian banks.

The State Bank of India, and the two other Indian institutions which had been the intermediaries for this short-term borrowing from the US, are also now having to pay from 1 to 1.25 per cent over the London interbank rate - or almost twice what they had previously paid.

The embarrassing cut in India's outstanding short-term borrowings is accompanied by worrying signs that Indians resident abroad are withdrawing foreign currency deposits from India for fear these might be frozen under a new government.

The unprecedented proposal by the Hindujas effectively to act as India's bankers is being studied by the administration. It is intended to signal the group's long-term confidence in the economy.

It also ties in with their commercial strategy of increasing their industrial and business interests in India as privatisation, or other projects open up

fresh opportunities. They currently hold a 40 per cent stake in Ashok Leyland, the truck manufacturer, Gulf Oil, the oil trading company which is owned by the Hindujas, has recently supplied several cargoes of crude and oil products to the Indian Oil Corporation.

The worsening foreign exchange situation has forced the government to tighten even further what were already drastic import curbs. Importers are now required to put down a cash deposit of 200 per cent on opening a letter of credit.

Letters of credit are also now referred to the Reserve Bank for its approval.

The result of these measures has been to curtail dramatically the import of manufactured components and of metals such as zinc and copper. The non-ferrous metal industry is almost at a standstill and the electronics industry is also badly affected.

Hong Kong backs down on tobacco tax

By John Elliott in Hong Kong

HONG KONG'S government yesterday suffered its biggest setback at the hands of an increasingly assertive Legislative Council when, in order to avoid rejection of a key budget measure, it was forced to halve a 200 per cent increase in tobacco tax announced two months ago.

This unprecedented cave-in by the authorities has provided a foretaste of growing government problems as the council becomes politicised with its first direct membership elections in September. In the past the council has generally worked on the basis of government-guided consensus.

Scaling down the tax rise to 100 per cent was a personal setback for Sir Piers Jacobs, financial secretary, who proposed the 200 per cent increase as a health measure in his final budget. He retires this August after a four-year appointment marked by mishaps.

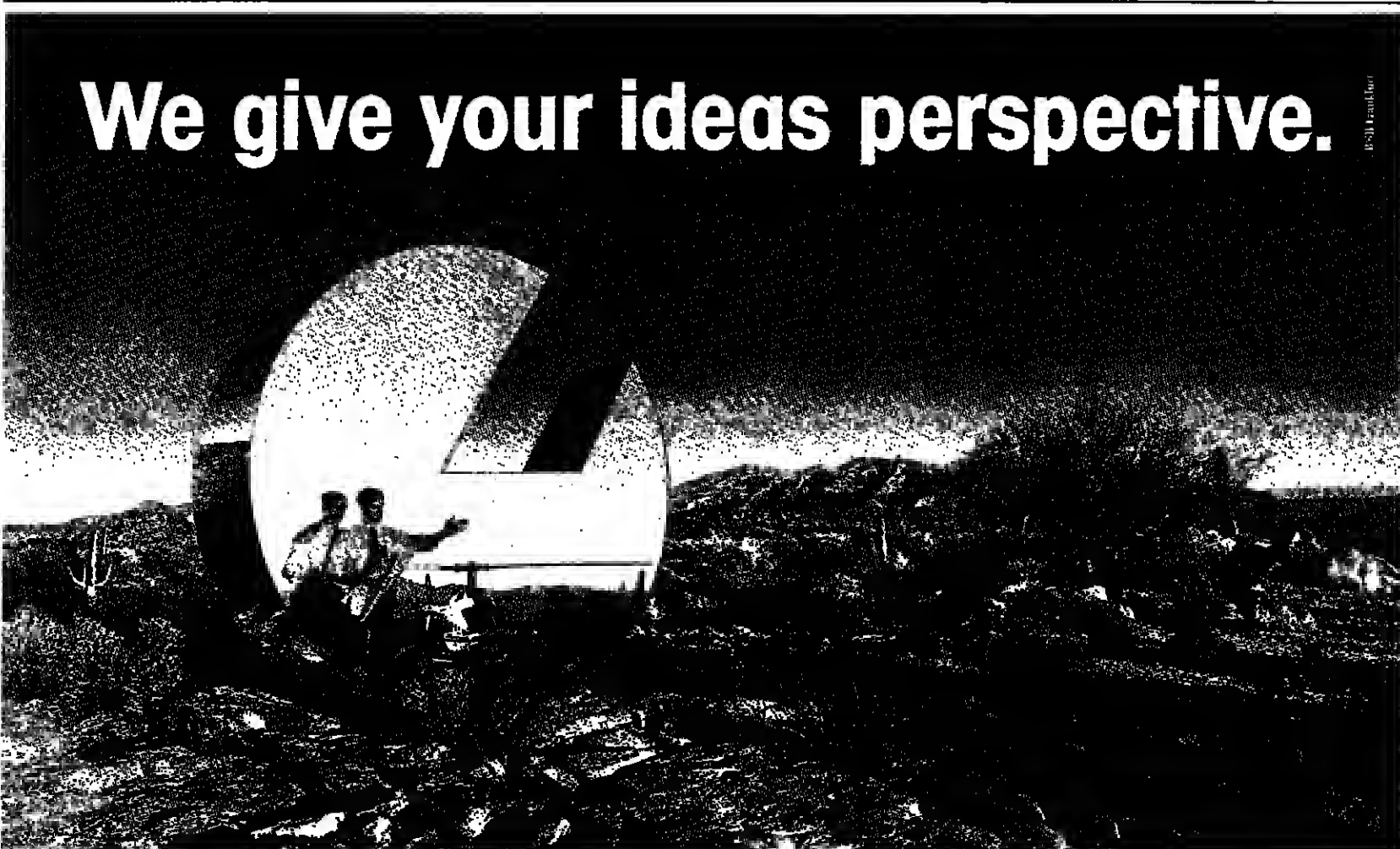
The budget increase was accompanied by a retailers' price rise and pushed a packet of 20 cigarettes up from HK\$12.50 (94p) to HK\$24.

It provoked an outcry from Hong Kong's heavy smoking population which was backed up by the influential tobacco industry lobby.

Cigarette smuggling from China increased sharply with brands sold at half the new price. Normal retail sales fell by up to 70 per cent.

There were also complaints that budgets should not be used for social engineering, and there was broad-based resentment that the increase formed part of a switch from direct to indirect taxes which would hurt the poor in a colony dominated by the rich.

The concession is expected to cut HK\$400m-HK\$500m from a planned budget surplus this year of HK\$1.3bn.



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DG BANK

Sphinx-like figure seeks calm waters at helm of Arab League

By Tony Walker in Cairo

WHEN THE inscrutable, Sphinx-like figure of Egypt's Dr Esmat Abdel Meguid was acclaimed yesterday in Cairo as the Arab League's new secretary-general it was almost as if things had returned to normal after the recent turbulence.

An Egyptian had been installed to guide the Arab world's premier organisation in a city regarded as the region's hub, just a few months after the Arab League headquarters returned to its home on the banks of the Nile.

It was almost exactly 12 years ago that Egypt, after signing the peace treaty with Israel, was suspended from the League and the organisation moved to distant Tunis. Those years were marked by a continuing decline in the League's effectiveness culminating in the Kuwait crisis.

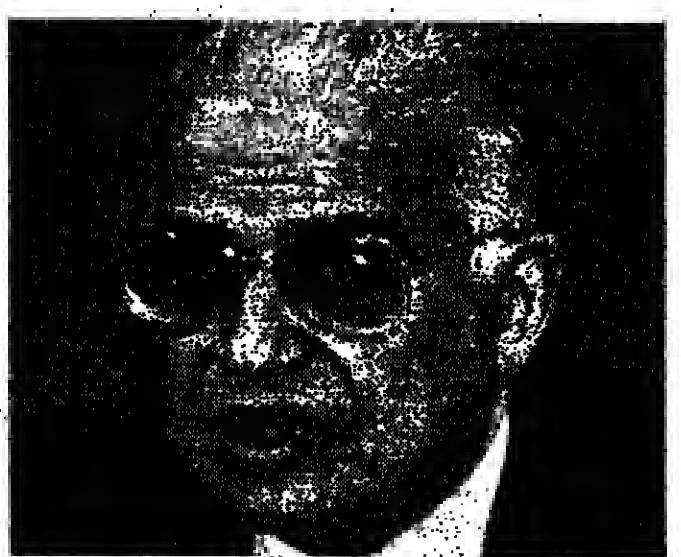
Now, Egyptian officials say there is an opportunity to rebuild the League into a more effective body for the promotion of Arab concerns, and perhaps more important as a vehicle for resolving the disputes that swirl constantly about the Arab world.

While Arab states hurried their differences momentarily to elect Dr Meguid, the fact that yesterday's agenda carefully avoided contentious issues was a clear sign that bitterness persists.

The new secretary-general has no easy task, with the Arab world in continuing disarray and President Saddam Hussein still in power in Baghdad.

However, among his peers, Dr Meguid, 68, a veteran diplomat and foreign minister, is given as good a chance as any of helping to resolve many of the highly-personalised disputes that continue to bedevil Arab politics.

Mr Mahmoud Riad, who served as Arab League secretary-general throughout the 1970s until Egypt's suspension, described Dr Meguid as a "consensus-builder". Mr Riad noted that during the Sadat era of



Esmat Abdel Meguid; a 'consensus builder'

the early 1980s when Egypt was shunned by most of the Arab world, Dr Meguid, then UN representative, still managed to remain on good terms with fellow Arab ambassadors. The new secretary-general replaces the Tunisian, Mr Cheddi Khilif, a casualty of the bitter wrangling that accompanied the Gulf crisis.

Apart from his UN post, which he filled from 1972 to 1983, Dr Meguid has also served as ambassador to France, minister of state for cabinet affairs and head of Egypt's state information service - the latter two posts under President Sadat.

Dr Meguid became foreign minister in July 1984 and was fairly recently appointed one of four deputy prime ministers. Among his more notable characteristics is an ability to speak to reporters for long periods without actually saying anything newsworthy.

Equally fluent in English and French, Dr Meguid is regarded by friends as a man of cosmopolitan tastes. He is known as a voracious reader, and also as someone who likes opera and the theatre.

Dr Ashraf Ghorbal, a former ambassador to the US and a man who has been tipped as a possible successor as Egyptian foreign minister, ascribes Dr Meguid's undoubted self-discipline and his cautiously logical approach to the grounding he received at a Catholic school in his hometown, Alexandria.

"He weighs things very carefully, he's a good listener and you can rely on his good judgement," observed Dr Ghorbal. "He always strikes you as a thoughtful person who ponders things thoroughly."

Yesterday's Arab League meeting was marred by the first direct verbal clashes between Iraq and Kuwait since the end of the Gulf war, Max Rodenbeck writes from Cairo.

Although delegates had agreed to drop controversial issues from the agenda, the representatives of Kuwait and Iraq exchanged heated accusations. After Sheikh Salem al Sabah, Kuwait's foreign minister, cited Iraq war crimes against his country, the Iraqi delegation leader accused Kuwait of "bickering and gloating" when Arabs should be seeking to heal their wounds.

AMERICAN NEWS

Setback for limit on bank deposit insurance cover

By Peter Riddell, US Editor, in Washington

THE Bush administration's plans to limit insurance coverage for bank deposits have suffered a setback with the rejection of key provisions by a House of Representatives committee.

During the first day of debate on the Treasury's comprehensive bank reform plan, the House Banking Committee's sub-committee on financial institutions defeated by one vote a proposal to restrict the number of accounts of \$100,000 qualifying for insurance coverage.

At present, a person can have various insured accounts at one bank. The Treasury had proposed limiting the protection to two accounts (one normal, one retirement) per institution.

The defeat of this provision (by 18-17) is a victory for small independent banks worried that limiting coverage would hurt them. They feared a flow of deposits to big banks where deposits would be protected under the "too big to fail" doctrine (rejected by the sub-committee last week).

The sub-committee also substantially amended the proposal to end insurance coverage of brokered deposits, which are channelled into banks by Wall Street brokers. Protection for brokers will be limited to banks ranked in the top two of five capital standard ratings. This benefits the larger and

stronger New York houses, notably Merrill Lynch.

However, there is a long way to go before a final version of the legislation emerges in the House, let alone in the Senate or in joint conference. Moreover, this outcome does not rule out other aspects of banking reform, such as nationwide branches.

Some House members from rural states, who back broader reform, voted against the Treasury on deposit insurance coverage.

Even so, the vote indicates the uncertainty prospects for comprehensive reform, in spite of the personal support by President George Bush and the lobbying by Mr Nicholas Brady, Treasury Secretary.

Mr Gerald Corrigan, president of the Federal Reserve Bank of New York, told the Senate Banking Committee yesterday that, while he favoured broad-based banking reform, he remained opposed to allowing industrial companies to own banks (as proposed by the Treasury). He said this would be "neither progressive nor cautious" in that it would concentrate economic power and increase the risks to the bank insurance fund.

The sub-committee approved Treasury proposals to stop "pass-through" insurance of deposits in banks of managed pension funds, and coverage of bank investment contracts.

Inventories cut by fall in US demand

By Michael Prowse in Washington

US COMPANIES cut inventories sharply in March in response to falling demand, the Commerce Department reported yesterday.

After seasonal adjustment, total inventories of manufacturers and distributors fell 0.8 per cent to \$321.6bn. But they remained 1.3 per cent higher than in the equivalent period last year, in spite of a 3.4 per cent decline in sales.

This suggests inventories will be trimmed further in the current quarter, putting downward pressure on gross national product.

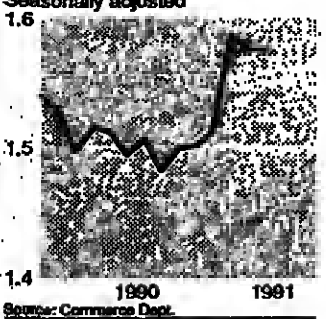
At cyclical turning points, the behaviour of inventories is a critical determinant of the economic outlook - changes in the stock of unsold goods typically account for a large share of the GNP's rise or decline.

Total sales by manufacturers and distributors fell 1 per cent to \$322.6bn last month, roughly keeping pace with the decline in inventories. The key inventories-to-sales ratio was thus unchanged at 1.07, but it

remains well above the level of 1.00, near which it fluctuated narrowly in the three years before the onset of recession last July.

Among sectors, retailers are having the greatest success in controlling inventories: the ratio of unsold goods to sales has fallen slightly in the past year.

The rise in the overall ratio, however, is modest by the standards of previous recessions.



Spanish pact with Brazil

PRESIDENT Fernando Collor de Mello of Brazil arrived in Spain yesterday for a two-day state visit aimed at sealing a new economic co-operation treaty, which is to cover \$3bn in state and private investment for his country, AP reports from Madrid.

The treaty is to enhance trade and political ties with Spain, which already has similar pacts with Mexico, Chile, Argentina and Venezuela, the Spanish foreign ministry said.

The high point of the visit is to be the signing tomorrow of the guidelines for the treaty, with Mr Felipe Gonzalez, Spanish prime minister, at the El

Pardo palace, the residence used by state visitors. Mr Collor is also expected to meet Spanish business leaders.

Spain imported \$966.9m in products from Brazil last year, and exported just \$194.4m in goods and services to that country, according to Spanish official statistics.

Mr Collor and Mr Gonzalez were also due to discuss the upcoming series of summits of Latin American and Spanish heads of state.

Mexico is to host the first such summit this summer. Spain plans to serve as host next year and Brazil is set to host the third in 1993.

Peru awaits a miracle from abroad

Promises to help pay debts are taking time to materialise, reports Sally Bowen

PERUVIANS are looking for a miracle. Two statues of weeping virgins in Lima's port of Callao have been attracting crowds of people in search of cures or comfort; a Brazilian faith-healer was mobbed like a pop star during his few days in Peru by desperate miracle-seekers.

President Alberto Fujimori has joined in the popular frenzy. He paid a visit to the Virgin of Fatima in Portugal to pray for Peru and pronounced his injured finger cured by Brazilian healer Joao Teixeira.

For most Peruvians, and maybe for the president too, there seems little option but to wait and hope. Despite a tough economic stabilisation programme and sweeping structural adjustments, the "support group" of friendly countries which is meant to help pay Peru's multilateral creditors has still not materialised.

Meanwhile, local conditions deteriorate still further. In the middle of a cholera epidemic, which officials say has claimed more than 1,300 lives, a health workers' strike is into its eighth week. Nurses, like most public sector employees, earn the equivalent of about \$20 per month - a quarter of the cost of basic food for a family of five.

Fiscal austerity and a zero monetary emission policy have sharply restricted the local money supply and cut inflation. The 5.8 per cent rise in consumer prices last month was the lowest monthly increase for almost four years - but inflation for this year is running at almost 40 per cent while most wages have stagnated.

"We have exchanged hyperinflation for hyper-recession," said one leading analyst. Out-



Fujimori unleashes his karate prowess on a brick

put for the past two months has been 9 or 10 per cent down on the equivalent months last year. Local manufacturers are struggling for survival against new, low tariffs on imports while the overvalued inti and high local costs mean farmers cannot compete with imported rice, wheat and maize.

There is consensus that the government's liberalisation

policies are correct. "The medicine is perfect but the dose has been too strong," says Mr Salvador Majluf, president of the national manufacturers' society (SND). "It's a vicious circle, with production and consumption indicators through the floor."

Prospects for even minimal recovery this year are agreed to be slight. Mr Carlos Boloña,

economy minister, said: "Growth is out of the question at present. I wouldn't even venture to say that we've touched bottom yet."

Peru's fiscal problem hinges on low tax collection. Fiscal pressure has improved the all-time low - in terms of percentage of gross domestic product - of less than 4 per cent at the end of the preceding administration in July last year, it reached only 7.3 per cent for the first quarter of 1991, far short of the 12 per cent budgeted.

Mr Boloña has had to return to Congress to ask for a new annual budget; heavy end-of-year inflation meant the allocation made last December has already been used.

Many Peruvians are asking where further cuts can be made. Teachers, also earning the equivalent of some \$50 a month, called an indefinite strike from May 8. The apparent failure of 3m schoolchildren to register for classes in this school year points to a 30 per cent increase over the 1990 absence level. Many parents cannot afford registration fees, and central Lima is more swollen than ever with children selling contraband merchandise on corners to eke out family incomes.

Peruvian hopes of substantial international financing are fading. The original expectation of \$2bn to pay off arrears to the multilateral lenders has been downgraded to a more modest, but still unconfirmed, \$13m. This would cover just the monthly payments Peru is making this year to its multilateral creditors.

The US and Japan have agreed to head the support group raising the cash. According to Mr Fujimori, the two have pledged about \$350m. The

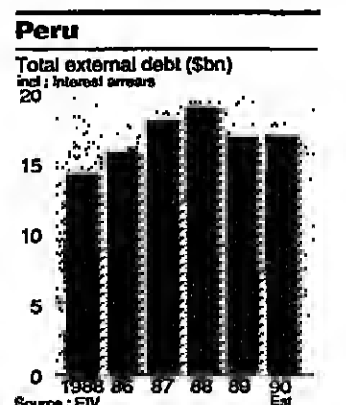
remainder will come from 13 or 14 other friendly countries, including several EC members, Spain, Mexico, Venezuela and Colombia.

Contrary to popular misconception, fed by press headlines, none of this money will enter Peru. Even so, if the promises materialise, the \$43m a month thus freed could be used for selective wage rises for the police, the military, health and education workers, and to make a start on urgent public health improvement and road repairs.

For a political novice with no organised political base and a fragmented parliamentary party, Mr Fujimori survives much more effectively than could be expected. Described by close associates as "highly authoritarian" and "totally pragmatic", he keeps a tight rein on ministers, who have proved highly disposable. Only two of the originals remain. "The president's strength is that he trusts no-one," says a close adviser. "His various circles of advisers - formed by Japanese-Peruvian friends and relations, the military, his old Agrarian University classmates and the economists - are quite separate."

Mr Fujimori has sparred with some of Peru's most entrenched institutions - the Catholic Church, the judiciary, Congress and oligopolies in general. He is usually restrained and monosyllabic, but when in a populist vein, he lets fly: pharmacists become "merchants of death," judges are "jackals and scum."

The Peruvian people seem inclined to give him a little more rope yet. After a sharp popularity dip to about 35 per cent in March, Mr Fujimori has climbed back to 50 per cent plus.



Washington and Lima sign accord on drug trade

THE US and Peru have signed a long-awaited agreement on drug trafficking, Sally Bowen writes from Lima.

It contains no specific financial commitments, but President Alberto Fujimori said: "The possibility is now accepted of debt reduction or debt swaps with the US, to back a firm programme of economic reform, oriented to growth in Peru."

Mr Fujimori went before a special session of Peru's Congress late on Tuesday to explain the framework accord, saying both parties now accepted responsibility over the drugs problem.

Peru produces about 60 per cent of the world supply of raw coca leaf; the US consumes 80 per cent of all cocaine and other coca derivatives.

The failure of earlier strategies, based on simple repression of coca-growing and enforced eradication of crops, is recognised.

The new agreement establishes the right of coca farmers to make their voices heard - they are to participate in decisions and to receive assistance in switching to alternative crops, by technical means and through the issuing of land

titles and credit, as well as by access to assured national and international markets.

There has been criticism of the government's secrecy over the agreement, under negotiation for the past six months. The Peruvian constitution requires international treaties, but not "accords", to be ratified by Congress. Parliamentarians had called for debate but Mr Fujimori has presented them with a fait accompli, the accord having been signed in private by officials shortly before the president's address.



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WORLD TRADE NEWS

Dunkel urges US, EC to end Gatt talks deadlock

By Peter Montagnon, World Trade Editor

THE US and EC must set aside their mutual recriminations on trade policy and break the logjam in the Uruguay Round of multilateral trade negotiations, Mr Arthur Dunkel, Gatt director-general, said yesterday.

Trade relations across the Atlantic "are bedevilled by accusations, self-righteousness, mutual misunderstanding and the inability to distinguish special-interest pleading from the general public good," he told the European Atlantic Group in London.

The political resolve was there to complete the Round, and expectations were that the US Congress would shortly extend the Bush administration's fast-track negotiating authority.

In a hard-hitting but evenly-balanced speech from an official noted for his respect for diplomatic niceties, Mr Dunkel laid the responsibility for ensuring success firmly on the two main trade powers.

Trade experts said the speech was a recourse to shock tactics in an effort to persuade both sides to overcome the severe deterioration in relations that has developed between top negotiators on both sides of the Atlantic. It is now widely known that since the failure of the Brussels trade ministerial meeting last December, some leading officials involved are scarcely on speaking terms.

"Political resolve is one thing, negotiation another. Whenever we attempt to translate political resolve into the gritty-gritty of negotiation, we appear to suffer from something akin to a dialogue of the deaf," Mr Dunkel said.

Trade policy reviews conducted by Gatt on both the US and the EC had shown they were both worthy of criticism, but each now insisted on painting the other absolutely black. "It really is quite a sterile procedure for the major trading nations to throw figures backwards and forwards, as if merely winning the numbers argument somehow supplies an answer to the real challenge of the Uruguay Round."

"Let us be in no doubt, the days of passing the buck all round the globe as a means of avoiding the crucial political challenges in trade policies are



Dunkel: Speaking out

long gone... Now the focus is clearly on Washington, Brussels and the other capitals of the European Community. The world's attention can neither be diverted nor avoided."

The Round was about growth in economic and social welfare. It should be a matter of self-interest for both Europe and the US. Only a balanced and substantial package of results on subjects ranging from market access, textiles, and strengthened rules to new areas such as trade in services and intellectual property would satisfy all participants.

Negotiators were near achieving the original, ambitious aims set when the Round was launched. Brussels and Washington now bore the responsibility for paving the way to a successful conclusion.

Over 45 countries, from Mexico to Morocco, Indonesia, the Philippines and Czechoslovakia, had taken autonomous trade liberalising measures in expectation of a successful result to the Round.

"Are they now to be told it was all a confidence trick? They did what the big industrial powers wanted. Yet are those same powers, the founders and greatest beneficiaries of the Gatt system, too politically fragile to take even small steps towards much-needed reform themselves?"

Businesses, farmers, consumers, economic reformers everywhere were being deprived of the opportunities afforded by the Round and were unable to plan for the future, he added.

Brussels extends China, HK TV duties

THE European Community has extended provisional anti-dumping duties on imports of small-screen colour TVs from China and Hong Kong, EC officials said yesterday. Reuter reports from Brussels.

The Commission had asked ministers to prolong the duties by up to two months, as they had not yet decided whether to make them definitive, the officials added.

Under EC rules, provisional duties lapse if ministers take no decision within four months.

The provisional duties, equal to 17.4 per cent for Chinese TVs and 4.8 per cent for Hong Kong TVs, were first imposed after EC electronics makers said they had suffered losses due to cut-price imports. A Commission inquiry uncovered dumping margins of up to 17 per cent.

While the China Great Wall Industry Corp will pay the maximum duty, the Commission cut rates for some exporters. China National Electronics Corp will pay 16.3 per cent, China National Light Industrial Products Corp 18.8 per cent, Fujian Hitachi Television 13.1 per cent, and Haqiang Sanyo Electronics 7.5 per cent.

In Hong Kong, Hanwah Electronics will pay the maximum rate of 4.8 per cent, while Cony Electronic Products will pay 3.1 per cent, Kong Wah Electronics Enterprises 3.1 per cent, Koyoda Electronics 4.6 per cent, Luks Industrial 4.1 per cent and Tai Wah Television Industries 2.1 per cent.

Siemens shares in Soviet power deal

A German-Finnish consortium led by Siemens' energy unit KWU has won Soviet orders worth up to FM700m (£100m) to build power generators in Leningrad, Reuter reports from Munich.

Siemens said KWU would receive most of the orders, with the rest going to Finland's Teollisuuden Voima Oy Polar Rakennusosakeyhtiö and IVG International. The consortium had already signed a contract with the Soviet Union's Vpo Zarubezhnergostroi and Leningenergo.

US weighs risks of Moscow aid

Nancy Dunne reports on the perils of farm export loan guarantees

THE US farm lobby is pressing for \$1.5bn in loan guarantees for Moscow, but the administration is being extremely cautious before it makes a decision. President Bush has dispatched a team of agriculture experts to Moscow to help find a cure for the Soviet food distribution system.

The lessons of a decade of debt crises have left their mark. Legislation approved last year requires the Administration to consider a country's creditworthiness before financing commodity sales.

In this case, the risk is both political and economic. No one knows if the Soviets can or will repay these short-term loans when the notes fall due.

Whether President Mikhail Gorbachev will even be in office on that day, or indeed whether the Soviet Union itself will still be intact.

No one knows if a failure by the US to help save off food shortages will not further destabilise an already shaky central government.

The Soviets have already had \$1bn this year in food credit guarantees. Another \$1.5bn would considerably stretch the capacity of the \$6m credit guarantee programme.

President Bush has said he badly wants to help Mr Gorbachev, who personally requested the credit, particularly at a time when he is being helpful in the Middle East and when he seems to have veered back towards liberalisation. But the budget deficit and the recession require caution.

A report by the Congress General Accounting Office found that, of the \$11.2bn of USDA credit, 80 per cent is in danger of default.

Mr Curtis Kamman, the deputy assistant secretary of state for European and Canadian affairs, last week recited the gloomy Soviet statistics before a house agriculture subcommittee.

In the first quarter of this year, agriculture production fell by 13 per cent over the same quarter in 1990; gross national product declined by 8 per cent; Soviet exports dropped 18 per cent and overall trade volume plummeted by over one-third.

"As jolting as this dismal ledger of statistics is, it apparently has not brought the Soviet leadership to take the measures necessary to open up the economy and begin in earnest the process of establishing a market economy," Mr Kamman said.

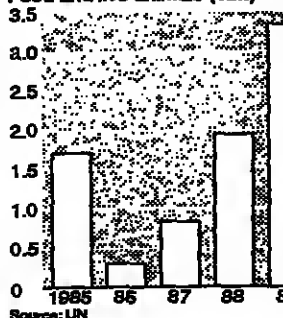
The powerful farm lobby is anxious for the sale to go ahead. Mr Ron Rivinius, president of the National Association of Wheat Growers, warned Mr Bush that, with recent cuts in farm subsidies, the health of the US wheat industry is more dependent than ever on strong exports.

The US Feed Grains Council says without new credit for feed grains, the Soviet livestock and poultry sectors will collapse, wiping away a key market for US producers.

Mr James Boward, a policy

US exports to USSR

Food and live animals (\$bn)



Source: US

analyst with the Cato Institute in Washington, pours scorn on the congressmen who press for new loan guarantees. They learned nothing, he said, from the \$1bn they sent Iraq 10 months before the invasion of Kuwait. "If a customer does not pay cash, he's not a customer, he's a deadbeat."

To Mr Boward, the guarantees are another example of short-term thinking by Congress. The credit drives up prices and makes US commodities more expensive for other customers' countries. "It gives \$1 to American farmers for every \$10 that goes to the Soviets," he said.

None of the countries which use US government credit guarantees to help feed their people is prosperous. The borrowers are supposed to offer good prospects for future commercial sales and a "reasonably"

good potential for being able to service their loans.

Mr Steve McCoy, president of the North American Export Grain Association, insists: "The jury is still out on whether Moscow is incapable of repaying the credits. We can't discard their assertion that they will repay. They can prioritise; they can sell gold."

The Administration must make a decision soon if the Soviets are to have an opportunity to utilise the credits, Mr McCoy said. In July and August the distribution system is designed to move around domestic production.

Many options are under consideration. The Administration could try to link credit with reforms, doling out the financing every few months in smaller amounts as long as loans are being serviced. The financing could be backed by oil or gold, or the Agriculture Department could do a barter deal.

The Administration could draw on the under-used \$500m per year intermediate term lending programme in smaller amounts.

Mr McCoy believes the Administration is developing "a grand overarching scheme" to assist its former superpower rival. "We have to be mindful of longer term solutions. The alternative is to go from decision to decision. It means constructing a programme in which credits are but a part but not the whole."

US wheat exports to Brazil, Page 40

Dole seeks extension of Soviet food credits

By Nancy Dunne in Washington

THE SENATE yesterday debated a resolution introduced by Senator Robert Dole, the Republican leader, endorsing the extension of \$1.5bn in new food credit guarantees for the Soviet Union to be paid in \$500m tranches if certain tough conditions are met.

The resolution, although not binding, would provide some political cover for the Bush administration if it agrees to provide the credit.

This is no blank check for Gorbachev or an endorsement of Soviet repression in the Baltics or inside the Soviet Union," Senator Dole insisted. "We have to be sure that the Soviets will use the agricultural credits to help the Soviet people - and not just subsidies the Soviet military, communist party and security apparatus."

The resolution called for making \$500m in guarantees available immediately. Further instalments would be conditioned on the appropriate use of the early guarantees and the Soviets meeting their repayment obligations.

Leading the opposition to the resolution was Senator Bill Bradley, a New Jersey Democrat. In a letter to President Bush, he asked that an agriculture advisory mission going to Moscow tomorrow study the extent of the shortages.

Export credit agencies 'must work more with banks'

By Peter Montagnon, World Trade Editor

EXPORT credit agencies must show greater flexibility and co-operate more closely with commercial banks if they are to help restore adequate flows of trade and project finance to developing countries, a leading banking "think-tank" warns today.

Trade flows between industrial and developing countries provide a powerful engine for growth in the world economy, but their financing has often become difficult following the debt problems of the 1980s, according to the Washington-based Institute of International Finance (IIF).

Ahead of a meeting at the Organisation for Economic

Co-operation and Development (OECD) to discuss reforms to the rules on export credits, Mr Horst Schulmann, IIF managing director, has called for a joint working party between commercial banks and governments to be set up.

The purpose of the joint working party would be to explore ways in which the private sector can play an appropriate role.

Restoration of credits to debt-ridden developing countries requires not only improved domestic policies by the debtors, but also greater flexibility on the part of industrial-country bank supervisors over loan-loss provision

requirements and improved risk-spreading between banks, credit agencies, exporters and private reinsurers, he says in a letter to Mr Jean-Claude Paye, OECD Secretary-General.

Specific recommendations by the Institute include:

● A willingness by export credit agencies to underwrite political transfer risk on projects in developing countries even where the banks are prepared to take commercial risk on to their own books.

● A reinsurance pool for export credit agencies to help spread their present concentrated risk more evenly and utilise unused cover capacity at individual agencies.

● Agreement that banks financing the 15 per cent down-payment on large projects be repaid early, for example after three years rather than the normal 8.5-10 years for export credit agency finance.

● Extension of the permitted maturities on export credits as the subsidised OECD Consensus rates are phased out. Once these rates are no longer available, interest rates on export credits should be fixed at the time of disbursement rather than contract signing.

Export credit officials say it is unlikely the OECD will respond quickly to these detailed recommendations. Its meeting this week is

intended principally to seek an agreement on new ways of curbing tied-aid credits.

It will last into the weekend, and it is still touch-and-go whether the proposed package of reforms can be agreed.

It is generally acknowledged that export credit agencies have a potentially important role to play in financing new investment by developing countries as they recover from the debt crisis.

But like the commercial banks, most credit agencies suffered large losses as a result of the debt crisis and many are increasingly subject to financial discipline imposed by their controlling governments.

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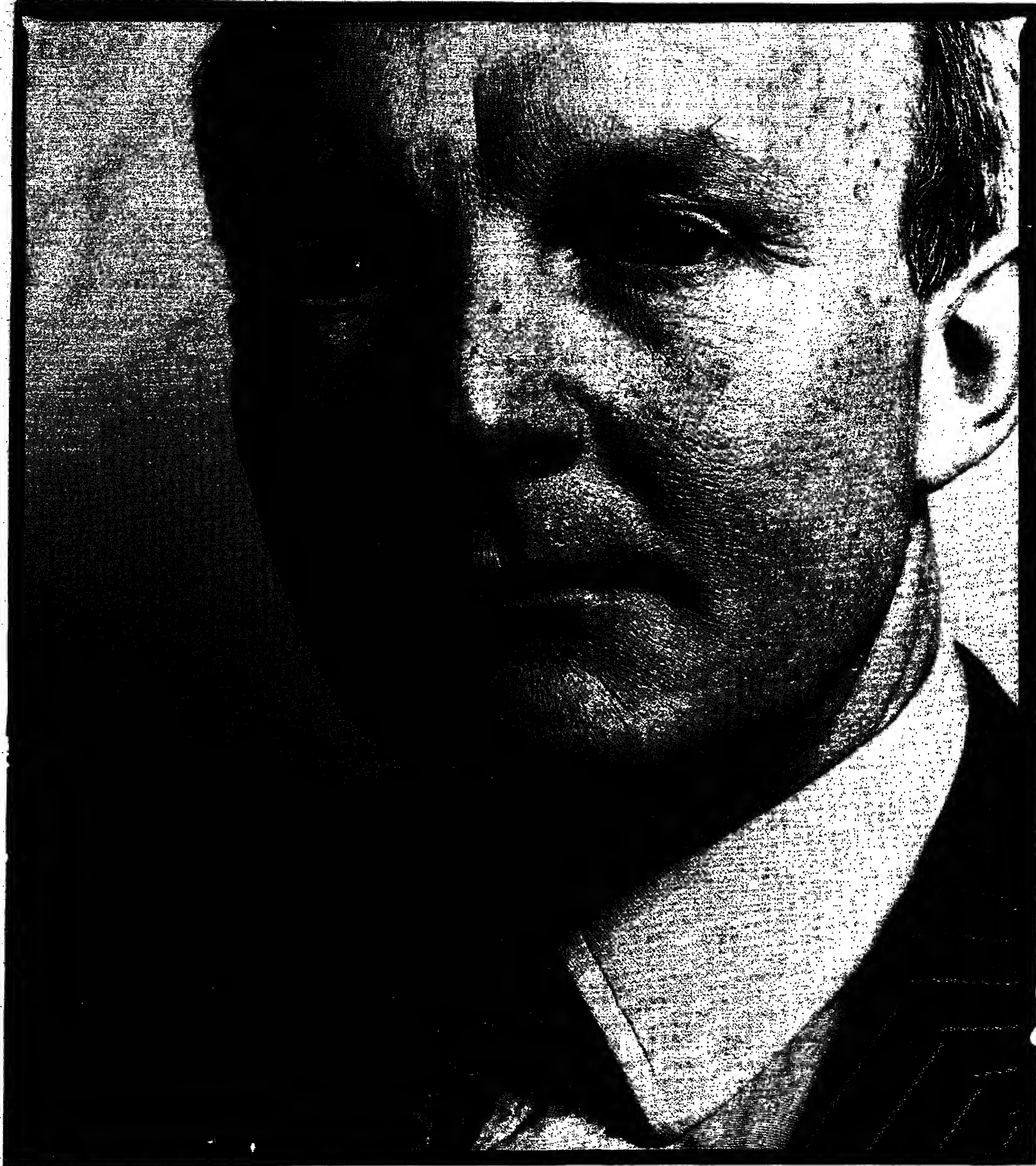
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THURSDAY MAY 16
Dole seeks
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WASHINGTON

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UK NEWS

Submarine leaks when torpedoes fired, MPs told

By Paul Abrahams

BRITAIN'S latest submarine is 540m over budget, more than three years late and leaks when the torpedoes are fired, a House of Commons defence committee was told yesterday.

"I would not wish to pretend it was a total success story," admitted Mr Brian Hawtin, Assistant Under Secretary (Material/Naval), with a stiff upper lip, and considerable British understatement.

The committee was told that on its first voyage, HMS Upholder was forced to set sail with its torpedo tubes sealed.

Testing had revealed that the tubes could not be properly closed and water entered the ship as the torpedoes were fired from the submarine.

Upholder's trials also revealed substantial design problems with the propulsion system, the committee was told.

When changing from full speed ahead to astern, the engines stopped, bringing the submarine to a dead halt and it was then forced to surface in a controlled rescue.

HMS Upholder eventually returned to dock after only two weeks because of cooling prob-

lems in the engine.

The MoD denied that the submarine was incapable of fulfilling its role as a submarine killer, despite its disabilities. Meanwhile, the search for the guilty continued as recriminations abounded, each party blaming others.

The VSEL Consortium, which manufactured the boat, said the problems were caused by design faults and were the responsibility of the MoD.

MoD officials said the fault lay in the original design of the system by the Admiralty Research Establishment. The MoD also announced it was seeking damages of £8m from GEC-Marconi because of the problems.

GEC-Marconi said it had been asked to name an arbitrator to work out how much, if any, of the problem was caused by the company.

Officials said they were confident both problems could be overcome. However, defence cuts have meant that only four Upholder class submarines will ever be constructed. Officials may well be wishing that none had ever been built.

TV screen moguls come out blazing at high noon

FIERCE COMPETITION broke out yesterday for all but three of the UK's 16 commercial television licences as 40 bidders delivered their envelopes to the Independent Television Commission by the noon deadline.

Four of the big five ITV network production companies - Thames, London Weekend, Yorkshire and Granada all faced serious bids for the 10 year licences that will run from January 1993.

Only Central, the second largest ITV company covering central England, escaped without a challenge and should now automatically inherit its franchise. For Central shareholders the big question now is how much Mr Leslie Hill, the chairman and chief executive, put in his bidding envelope. He could have bid a minimum of £100m a year or a much more substantial sum if he feared a last minute bid.

The other ITV companies getting a clear run were Scottish which built a barrage of threats around its franchise by hiring the top 20 independent producers in the region and tiny Border Television.

Virtually all the announced and rumoured bidders stuck to their scripts and have attacked their expected targets.

Carlton Communications is bidding against Thames Television and TVS Entertainment and CPV-TV, the David Frost and Richard Branson consortium is bidding for Thames, TVS and Anglia.



Bruce Gyngell, chairman of TV-AM, salutes his station's bid outside ITC headquarters

TVS, which ran into financial trouble because of its \$320m purchase of MTM, the US production company, is the most threatened company with three serious bids against it - Meridian Television, the company backed by Lord Hollick's MAI, Select TV and Central with a 20 per cent stake.

Mr Rudolf Angew performed something of a Lazarus act yesterday. A few hours after the company's bid was delivered to the ITC the south of England

broadcaster announced two significant new shareholders: Home Box Office, the subscription television subsidiary of Time Warner, the US media group and the Daily Mail and General Trust, publishers of the Daily Mail.

The two new shareholders and the company's existing French shareholders Canal Plus and Compagnie Generale des Eaux will together put up £30m in new funds if the company retains its franchise. An

additional £30m facility has been negotiated for TVS which saw its net assets decline by £28.9m during 1990.

Money and long term financial stability is of vital importance in this franchise round because once applicants pass a quality threshold in most cases highest bids will win.

international record company owned by Philips.

At a press conference yesterday Mr Michael Kuhn, senior vice president of Polygram, did not appear too confident of his chances. Although LBS, he said, was certainly the strongest of the challengers, the odds against success were 80 per cent to 20 per cent.

"It's a fix," declared Mr Kuhn without really explaining why. One of the most bitter battles is taking place between former ITV colleagues - something permitted under the system of multiple bids.

In a last day "Battle of the Roses" Yorkshire TV, together with Tyne Tees have put their muscle behind pulling down Granada Television, one of the founding pillars of the ITV system. They are backing a consortium that includes Trinity International, publishers of the Liverpool Echo and Daily Post, Mr Phil Redmond's Mersey Television and St. Britain's largest venture capital group.

Granada group seems to be fumbling many of their passes at the moment. On Friday it announced record borrowings and the departure of chief executive Mr Derek Lewis. Yesterday in an impromptu press conference, halfway up the ITC garage ramp, Mr Clive Leach,

highest bidder, said that the bid on itself by going for Tyne Tees in a consortium with Border. Yorkshire had taken a 20 per

cent stake in Tyne Tees as part of a strategy to create a larger north east region, he said. This strategy was directly threatened by Granada. So after looking at other opportunities Mr Leach decided to bid against the north west franchise holder.

Yorkshire itself faces two hostile bids from White Rose Television and Viking. There are hotly contested regional battles all over the UK. From Grampian in the north of Scotland to Granada in the south of England, the franchise in the far south.

ITV, broadcasters to Wales and West is under threat from two bidders, Merlyn and CWT. Mr Harry Turner, chief executive of Television South West who turned up yesterday with a furry mascot, is also facing rival Teletext and West Country Television.

Bidders were phlegmatic yesterday about the government's much criticised system of highest bids. As Mr Bruce Gyngell of TV-AM said: "That's the rules of the game if you want to participate." But Lord Prior, a former Cabinet minister under Mrs Thatcher and chairman of Three East, the company challenging Anglia, was more critical.

He told reporters: "This morning was very exciting but this is not the best way to organise Independent Television in future."

Raymond Snoddy

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COMMON EUROPEAN CURRENCY

London likely to support new ideas on monetary union

By Peter Marsh, Economics Staff

THE British government is preparing to back ideas from Germany and Spain on a new, common European currency for use in the next phase of economic and monetary union (Emu).

The move involves dropping the UK's present proposals for a hard Ecu currency, and marks a further softening in the British government's stance on Emu.

It paves the way towards the UK signing a treaty later this year committing itself to economic union - but without endorsing the final goal of a single currency or a European single bank.

The plan would demonstrate UK interest in listening to other countries' ideas on Emu. It would also involve some elements of the UK's original hard Ecu proposal, underscoring Britain's role in formulating an Emu compromise.

According to its proponents, the new currency would be used in conjunction with existing financial units, and would be acceptable to European businesses.

They dual-currency could act as a stepping stone to a single European currency that might emerge around the year 2000, its supporters claim.

Britain's new thinking applies to stage two of Emu, which some nations want to begin in 1994. Under proposals being sketched out in Whitehall, Britain would back ideas

for a so-called "harder Ecu", which draw on technical work in monetary policy by Germany and Spain.

The harder Ecu would involve strengthening the existing basket Ecu - a notional financial unit based on the main European currencies, and which is used mainly in the international bond market and in intergovernmental transfers.

Such a proposal would be more acceptable to other countries than the UK's hard Ecu - which involves a new currency separate from the basket Ecu.

The UK's original scheme, according to critics, would have led to confusion as financial markets tried to distinguish between the two different sorts of Ecu. The value of the harder Ecu would be tied explicitly to the value of the D-Mark - at least while the German currency remains the strongest unit in the European Monetary System. Administration of the harder Ecu would be left either to a revamped version of the existing committee of EC central bankers, or to an embryonic form of European central bank.

Britain's original proposal that the hard Ecu should be supervised by a European Monetary Fund has been quietly dropped, as have ideas that the hard Ecu could have an explicit role in damping inflationary pressures.

Rolls-Royce Motor Cars sheds 500 jobs in reorganisation

By John Griffiths

LUXURY car maker Rolls-Royce is to shed a further 500 jobs by scaling back sharply the activities of its Mulliner Park Ward assembly and finishing facility in north London.

The action, which will cost the Vickers subsidiary £10m, will increase total job losses at the manufacturer to 1,200 since the start of this year.

It will also end a coachbuilding craft tradition at the London site which has lasted for more than 50 years.

Rolls-Royce Motor Cars is suffering, along with other prestige vehicle makers, from a slump in luxury car sales affecting most world markets.

So far this year sales of Rolls-Royce and Bentley cars worldwide are down by about 50 per cent.

In the UK, the company sold 256 cars in the first four months of this year compared with 524 in the same period of 1990.

Following the reorganisation, about 100 employees will be left at Mulliner. Their job will be to build the basic body of the Corniche, which at around £150,000 is one of Rolls' most expensive models.

Currently, the Mulliner craftsmen assemble the bodies of the Corniche, which are then transferred to the main plant at Crewe, where some of its 3,400 employees fit mechanical components.

returned to London for the fitting of the interior trim and other finishing work for which the Mulliner craftsmen have, over many decades, become famous.

In future, the complete assembly and finishing of the Corniche - of which some 200 are built each year - will be undertaken at Crewe.

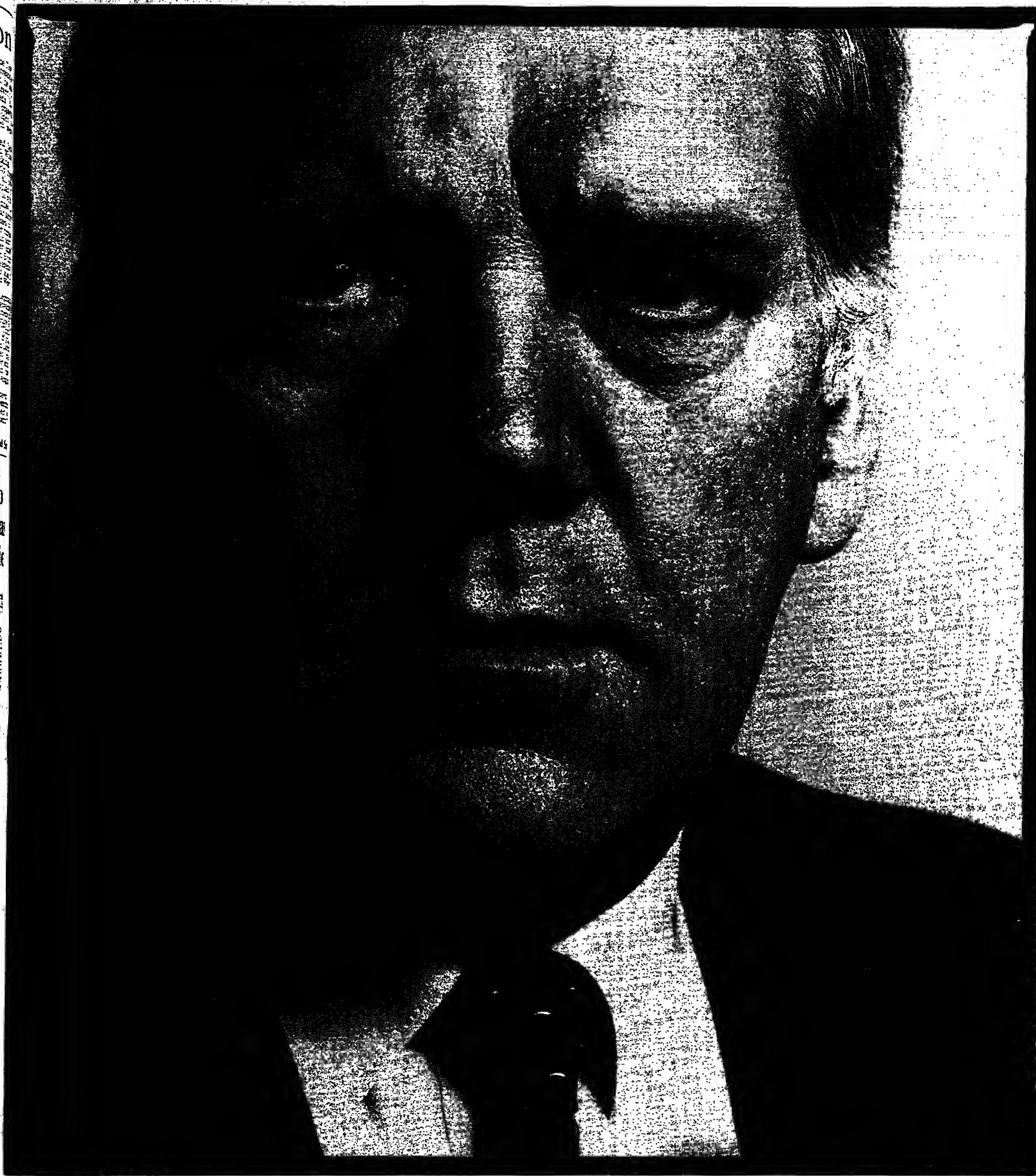
Avoiding the double transfer between the two plants - some 200 miles apart - will account for much of the "considerable" cost savings which Rolls-Royce says it expects to make from the reorganisation in future years.

A company spokesman said that it will enable Rolls-Royce Motor Cars to be in the best position to take full advantage of improved trading conditions when business confidence returns. Most of the £10m costs of the reorganisation will arise from the 500 redundancies.

The company's spokesman said yesterday that a precise timetable for the run-down of Mulliner had yet to be worked out and their "full consultations" were taking place with the work force.

Commenting on the job losses, Mr Gavin Laird, general secretary of the engineering union AEU, said: "This merely confirms that the recession is hitting deep at all levels of society and across the country."

The company sold 3,388 cars worldwide last year, a three per cent increase on 1989.



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MILTON KEYNES

UK NEWS

Ulster Unionists agree to keep Irish talks alive

By Ralph Atkins in London and Kieran Cooke in Dublin

A FRAGILE compromise agreed yesterday by Unionist leaders at a meeting with Mr John Major has averted, at least temporarily, the collapse of talks on Northern Ireland's future.

Mr James Molyneux and the Rev Ian Paisley, leaders of the two main Unionist parties which favour retaining links with London, bypassed an ultimatum set by Mr Peter Brooke, Northern Ireland secretary, with a heavily qualified acceptance of his proposals. These dealt with breaking the deadlock over a venue for talks with the Irish government.

Mr Brooke said he would be consulting the other participants in the planned "round-table" talks to see if the Unionists' position was acceptable.

Although the outcome of yesterday's meetings could provide a way forward, the gloomy and unco-operative atmosphere surrounding the talks has increased.

Mr Brooke said the Unionists' reply had been "a continuing response". On Tuesday he said that if agreement was not reached he would end the discussion process.

The prime minister warned of the consequences of talks collapsing but his role seems to have been more about symbolism for the Unionist leaders. Both Unionists made clear their belief that if talks did not proceed on Monday it would not be their fault. They said the first stage of talks - which would be an agreeing of a devolved government in the province - could not be interfered with by Dublin.

On the second stage, which will involve the Irish government in talks on relations between north and south Ireland, the Unionists said they would agree to talks starting in London, moving to Northern Ireland, and ending in Dublin.

Their qualifications and reason for refusing to accept Mr Brooke's ultimatum were proposals for an independent chairman for the second stage. Mr Molyneux and Mr Paisley said this had not been in the original terms.

Mr Brooke faces a difficult job in finding a suitable chairman. One possibility, mentioned by Mr Paisley, is Mr Jimmy Carter, former US president.

Tories learn to live with poor by-election results

Alison Smith looks at the background to an election which is a timely barometer of public opinion

AS practice makes perfect, the UK's governing Conservative party is getting better at handling bad by-election results.

Unless the electors of Monmouth are playing a well-orchestrated practical joke on the opinion pollsters, the Tories will have a further opportunity to improve their technique tonight. Facing dramatic last-minute changes, it looks likely that Mr Huw Edwards, the opposition Labour party candidate, will be elected as the new MP for Monmouth.

A Labour victory in the by-election would still leave the prime minister, Mr John Major, with a large majority in the House of Commons, but would probably kill speculation of a snap general election this June.

If Labour wins the by-election, necessary because of the death of the Conservative incumbent, it will declare itself on course to win the next general election, which must be held by mid-1992.

Today's by-election carries much of its significance in its timing. In the first half of a parliament, the Conservatives would have expected to keep Monmouth - a largely rural district on the Welsh border - though perhaps with a reduced majority.

In 1987, at the last general election, the Tories found that



Campaign trail: Tory party candidate, Roger Evans (right) backed by Norman Lamont, chancellor of the exchequer.

the almost even split in votes against them - with Labour just ahead of the third party

- enabled them to hold Monmouth more comfortably than some other seats where the total anti-Tory vote was lower.

This time round the by-election will be seen as an important barometer of opinion. Particularly important for Labour, in terms of its general election bid, is asserting its credentials as the challenger to the Tories in areas where it has no natural base.

Monmouth, where the main economic influences are farming and tourism, is not the type of seat Labour would normally expect to win. Its support being traditionally in heavily industrialised areas.

Mr Roger Evans, the Tory candidate, said yesterday that Monmouth is "a most important by-election". Even in the event of defeat, Tory ministers are unlikely to attempt an implausible retreat from that statement.

Instead the Conservative

party would probably admit that its message on public services such as health and education needs to be projected more effectively. It would be left to promise better political days ahead when the economic news improves.

Though the 9,500 Tory majority in Monmouth is some 7,000 below that of the safer seats of Eastbourne and Ribbles Valley - where the Tories lost by-elections in the past few months - the prospect of defeat by Labour makes this

week's vote at least as serious. In its previous two by-election defeats the Conservatives lost to centrist Liberal Democrats, Britain's third party and one less likely to challenge the Tory majority in a general election.

For the Tories, the shift to Labour in a campaign dominated by the issue of the state-run National Health Service, is reminiscent of their loss in the Vale of Glamorgan by-election two years ago. What was then dismissed as "mid-term blues",

is now a warning sign that whatever their spending record, they continue to lack conviction on the health service.

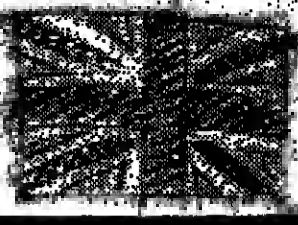
Mr Evans' vigorous defence of the right to choose private health care detracted from his daily assertions on the safety of the NHS in Tory hands. Even so, at the general election, there are likely to be many Tory candidates even less persuasive than he is.

The Conservatives were not alone in being out-campaigned by Labour: the Liberal Democrats were beaten at their own game. Labour set the agenda with a petition against the "opting out" of two constituency hospitals from local authority financial control and then encouraged traditionally non-Labour voters to cast their ballot for Mr Edwards. Labour's tactics were sophisticated and effective.

Between 1985 and 1987 the Tories survived in just one of the four by-election seats they defended. After today's vote in Monmouth, they may be forced to find what comfort they can in that statistic.

Mr Chris Patten, the Tory party chairman, has already spent time "pouring cold water" on the idea of a June election. It is still the Monmouth result, however, which is likely to confirm that this prospect has finally been abandoned.

BRITAIN IN BRIEF



UK jobless record condemned

Britain has the fastest growth in unemployment in the European Community, according to a Labour party analysis published ahead of today's official jobs figures. Stopping up Labour's efforts to pin blame for the recession squarely on the government, Mr Henry McLeish, a Labour employment spokesman, said the UK had suffered the fastest rate of unemployment growth in the EC in the past year both for adults and for under-25-year-olds.

For those under 25 unemployment in the UK rose 24 per cent, while across the EC, it fell an average 1 per cent.

Mr McLeish said the UK was "increasingly out of line" with unemployment trends in other EC countries.

Tioxide to improve plants

Tioxide, the pigments manufacturer bought by ICI last December, is to invest £90m immediately to improve the environmental performance of its plants at Grimsby in England and Calais in France.

Tioxide also said it was drawing up plans to build new plants in Australia and North America, at a total cost of around £150m.

Jobs lost in engineering

More than 90,000 jobs have been lost in manufacturing industry so far this year, according to a new survey. The AEU engineering union's survey of job loss announcements in manufacturing coincides with the government's release of the nationwide unemployment data for April. These are expected to reveal another steep rise in unemployment taking the total to about 2.2m after March's record rise of 113,000.

North escapes recession effects

The North and Scotland appear to have escaped the worst of the recession with Wales and the west Midlands the hardest hit, according to the latest Regional Trends Survey.

The survey, published by the Confederation of British Industry and Business Strategies, a regional and economic consultancy, shows a deepening recession over the past four months in all regions of the country.

The survey of 1,283 manufacturing companies conducted between April 3 and April 17, says the west Midlands have the highest percentage of companies working below full capacity while manufacturing companies in the North and Scotland expect orders to rise.

Overseas aid for N-project

British Nuclear Fuels has received interest-free advances totalling over £1.3bn from overseas customers towards the cost of its new project for reprocessing spent nuclear fuel, nearing completion at Sellafield, north west England.

Mr Christopher Harding, BNF's chairman, told the House of Commons select committee on energy that two-thirds of capacity for its £1.85bn thermal oxide reprocessing plant (Thorp), construction of which started in 1983, would be taken by overseas customers.

He said 87 per cent of these had provided interest-free money towards the construction cost, in addition to accepting cost-plus contracts. Customers which had paid up front had benefited from discounts on reprocessing prices.

UK exports 'uncompetitive'

British exports were becoming "seriously uncompetitive" because of the high premium rates charged for the insurance of long term exports, the House of Lords was told.

Lord Taylor of Gryfe, who raised the issue in Parliament's second chamber, said the rates being charged under the Export Credits Guarantee Department cover were among the highest in the world. "How can British exporters continue to improve when their hands are tied behind their backs in this way?" he asked.

Castle Cement cuts jobs

Castle Cement, Britain's second largest cement producer, is to close its Tipton works near Leighton Buzzard reducing the company's manufacturing capacity by more than a sixth.

About 300 jobs are to be lost adding to the rising tide of unemployment among construction and building materials companies. It is the third closure of a cement works to be announced in the past nine months by a British manufacturer.

Motor industry deficit falls

The UK motor industry trade deficit fell sharply in the first quarter of the year with a 78 per cent fall to £323m from a deficit of £1.16bn in the first three months of 1990.

The industry's trade balance is improving rapidly under the impact of the recession, which has greatly reduced imports of new cars and commercial vehicles.

The motor industry trade deficit fell by 30 per cent last year to \$4.8bn from then record \$6.55bn deficit accumulated in 1988, and the improvement has accelerated in the first three months of 1991.

Passports deal

Harrison and Sons of High Wycombe, a subsidiary of Lloyds, has won an £18m contract to print passports for the Polish government.

Correction

The picture of a Gloster Whitley jet on Page 8 of the issue of Tuesday May 14 was taken at Bournemouth Airport and not at RAF Cranwell as stated in the caption.



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FT SURVEYS

BUSINESS LAW

UN sets the stage for Gulf war compensation claims

By Charles N Brower

THE United Nations Security Council resolution which created a fund out of Iraqi oil revenues to pay Gulf war reparations and a commission to administer it also directed the UN secretary-general to recommend how much total compensation should be required, when it should be paid and who should distribute it.

The secretary-general's report, which is expected to be approved by the Security Council, sets up a solid framework for the handling of claims, but says very little about when payment can be expected and virtually nothing about how much it should be.

The UN Compensation Commission is established as a "subsidiary organ" of the Security Council. It comprises a 15-member governing council as its policy-making "principal organ" and an indeterminate number of "commissioners" to assist it.

The membership of the council will always mirror that of the Security Council (which currently includes Cuba and Yemen) but there will be no veto. The governing council will act by a majority of nine, except that decisions "with regard to the method of ensuring that payments are made to the fund" must be made by consensus, failing which the matter can be referred to the Security Council.

The US had urged that the governing council be perpetually composed of the five permanent Security Council members, five states principally affected by the Gulf crisis and five others. That formula would have secured a seat for Kuwait, and possibly Saudi Arabia and Turkey.

On the other hand, the permanent members may now be expected to dominate this council as they have the Security Council itself. It is the governing council that will make the decisions on "how much" and "when" and that will issue "guidelines" regarding the claims procedure laid down.

In structuring the claims procedure the UN wisely declined to replicate the Iran-US Claims Tribunal. The secretary-general expressed justified concern that if "tens of thousands" of individual claims were filed directly with the commission "a decade" could be consumed in processing them and "inequalities" could occur to the disadvantage of "small claimants". Instead, each government will present to the commission a single claim on its own behalf and that of its nationals and corporations for determination by the commission.

In "exceptional circumstances involving very large and complex claims", however, a different procedure might be

followed. Fund payments will then be made "exclusively" to governments for redistribution to their respective national claimants through domestic claims commissions.

It is in deciding these consolidated claims that the commissioners come into play. In panels of three they will "verify" and "evaluate" each government's request, "subject only to the approval of the governing council".

And who will these commissioners be? The secretary-general is to "establish a register of experts" from which he then will nominate commissioners for appointment by the governing council "for specific tasks and terms", having "due regard to the need for geographical representation, professional qualifications, experience and integrity".

It is expected that a core of full-time commissioners will be appointed and a stable of others kept ready for part-time or occasional service. Since the roster of commissioners may be called on to assist the governing council in tasks other than deciding governments' consolidated claims, it will also include "experts" in finance, accountancy, insurance and environmental damage assessment as well as jurists.

The governing council must now flesh out the claims procedure. The council clearly is

urged to consider establishing priorities within the consolidated claims for small individual cases, for "loss of life or personal injury", and possibly also for environmental damage or "damage due to depletion of natural resources".

The council must also fix filing deadlines. The secretary-general has suggested that two years should be sufficient, once guidelines are adopted, for governments to collect all necessary information and to present their consolidated claims.

The council also must prescribe necessary requirements and define the powers of the commissioners to hold hearings and require evidence.

Three important jurisdictional points remain to be settled. First, the council must define what is a "direct loss" resulting from Iraq's "unlawful invasion and occupation of Kuwait" and therefore falling within the commission's jurisdiction as established by the ceasefire resolution.

Second, it must clarify and limit the potentially mischievous provision for review by a "board of commissioners", subject to "final decision" by the governing council, of allegations that any panel of commissioners has "made an error on a point of law and procedure" or "of fact".

Third, the UN claims procedure relates only to "liability under international law", and it therefore is "entirely possible, indeed probable", that some claimants will pursue parallel proceedings in national courts.

This is especially so given that between \$4bn and \$8bn of Iraqi assets frozen by the UN sanctions are not to be added to the fund but may nonetheless be applied to satisfy Gulf war liabilities of Iraq. The council therefore must straighten out the degree to which the commission's jurisdiction is non-exclusive and act to forestall double recoveries.

As a start to determining how much Iraq is to pay into the fund the secretary-general still must undertake consultations to "suggest the figure not to be exceeded by the Iraqi contribution" as required by the ceasefire resolution.

With the help of expert commissioners the council may then set the flow below that ceiling, however, and even vary it based on "periodic monitoring". Iraq has formally asked that its compensation obligation be deferred for five years. The stage thus seems set possibly to bargain for the removal of President Saddam Hussein from office. Under any circumstances it is clear that claims eventually approved by the commission "will at any given time exceed the

resources of the fund". It is impossible to say just when payment will be forthcoming. Assuming that governments are allowed two years to file their consolidated claims once guidelines are established, and that their claims are settled within a reasonable period, payment out of the fund is some years away.

Apart from predicted shortfall of the fund, the possibility that it may not be collected as rapidly as claims are decided has led the secretary-general to suggest that the council should establish "criteria for the allocation of" its receipts.

He especially noted that it might be "necessary to distinguish Kuwait" from others, presumably to give that nation a preference. In these circumstances what should individual claimants now do? Those with claims predating Iraq's invasion of Kuwait have no choice but to avail themselves of any existing non-UN remedies; they are excluded from the commission process.

Those with post-invasion grievances must also consider pursuing non-UN remedies to the extent their claims are not based on international law. They will also want to ascertain whether or not nationally frozen assets are to be applied towards satisfying their claims. For governments the course is clear. They must proceed to

implement internal processes for assembling the necessary information regarding claims of their nationals and corporations so that in due course they can present their consolidated claims to the commission and then justly distribute the proceeds.

The 21 governments that already have applied to the Security Council for relief under Article 50 of the UN Charter because "confronted with special economic problems arising from" the sanctions may merit special attention. The secretary-general has suggested the possibility of legal aid being granted to countries "of limited financial means" to assure adequate representation of their claims. In contrast to the Iran-US Claims Tribunal it seems the United Nations Compensation Commission will be a bonanza neither for lawyers nor for the claimants.

For those who are involved, however, the surrounding are likely to be pleasant. Word has it that the commission will locate in Geneva, with an outside chance hearings will take place in The Hague.

The author is a partner in the international law firm of White & Case. He has served as a judge of the Iran-United States Claims Tribunal at The Hague since 1984.



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MANAGEMENT: Marketing and Advertising

Fiat's bullish message for the Brazilian mass market

Victoria Griffith explains how the Uno Mille bucked the trend

In July of last year, Fiat of Brazil shocked consumers and manufacturers alike with a revolutionary idea: it was going down-market.

The car group's new model, the Uno Mille, bucked a trend the Brazilian automobile industry had been following for a decade - a move to higher-powered, petrol-guzzling engines, and latter price tags.

The Uno Mille, which arrived in the showrooms last September, screamed of good sense. The car was to be the cheapest on the market, easy on petrol, and with enough room for the whole family.

"There was a lot of scepticism when we first announced the launch of the Uno Mille," says Antonio Rubens Ribeiro, a spokesman for Fiat do Brasil. "Consumers just didn't think it would be possible to produce a model that was everything we said it was. But they soon changed their minds."

The ace up Fiat's sleeve was a new tax law, passed by the Brazilian government in June 1990, the month before Fiat launched its new car. This reduced the tax on cars with engines under 1,000 cc to 100 horsepower from a minimum 37 per cent to just 20 per cent. The change in the law gave the Uno Mille a clear advantage as it was the only car in Brazil to fit the small engine category.

"One thing I've tried to explain to the government," says Silvano Valentini, president of Fiat Brazil, "is that cars cannot act as a motor of growth or distributor of wealth. By putting

such high taxes on vehicles, that's what the government tried to turn them into."

The special tax treatment allowed Fiat to bring the new model onto the market at a price well under that of the competition. The new model, an adaptation of the "Uno", started selling at \$2,795. The next cheapest petrol-run car on the market at the time was General Motors' Chevette SL, with a price tag 10 per cent fatter than that of the Mille.

By March, the Mille was the best selling car in the country. The model stole first place from Ford's Gol, which had occupied the top position for almost four years. The extra sales were enough to move Fiat into third place in national car sales, edging out Ford and shaking up market shares which had remained unchanged for years.

With hindsight, it is easy to see that Brazil was crying out for a down-market model. Between 1980 and 1990, the average real wage of middle-class Brazilians has fallen by 27 per cent. But over the same period, cars were growing increasingly more expensive. In 1980, a car cost, on average, 51 times the monthly minimum wage. Ten years later, the price had nearly tripled in real terms to 153 times the minimum wage.

Yet during the 1980s, car manufacturers had put their emphasis on luxury cars with high-power engines. Some 86 per cent of Brazilian cars produced in 1990 had engines over 1,500 cc. This upmarket trend took its toll on Brazilian car-owners. While

the nation's population increased by 43m between 1980 and 1990, there was no growth in the number of cars produced.

With high inflation eating away at real wages, it seems clear enough that Brazil needed a low cost car. But why did Fiat think of the idea first? "Companies defying a market position usually take less initiative," Valentino suggests. "As we were trying to win market share, we could afford to be more dramatic."

The launch of the Mille was also Fiat's attempt to come to terms with a factor which has long plagued Brazilian industry - the lack of a large number of consumers with any significant spending power. Fiat's strategy was to win market share, not just from its showroom competitors, but also from the car market. Over the last decade, buying a new car had become a distant dream for many Brazilians. Launched under the slogan "Made for you", the Uno Mille was intended to reach a segment of the market which had long been ignored: the lower middle class.

But for Fiat, simply offering a low price was not enough. The group conducted lengthy research to find out what it is Brazilians look for in a vehicle. The researchers discovered two things about the way Brazilians use cars: first, that cars are driven by the entire family. The car that takes Dad to work, for instance, is often the same car that Mother drives to the supermarket, or that the kids use to go to the movies. Although this phenomenon occurs to a certain extent in



Uno Mille: the only small car in Brazil eligible for a lower tax rate

other countries, it is much more pronounced in Brazil where very large families may rely on just one vehicle.

Second, Brazilians use automobiles not only as a means of commuting to work but also as a work tool. Because of the country's large size and poor public transport, cars shuttle executives between business meetings. As very few are offered company cars, personal vehicles are expected to serve a dual purpose. The agency MPM Propaganda took all of this into consideration when developing an advertising campaign for the Mille. The first commercial showed a man in a suit - implying that this is a car for work. The commercial also featured loads of children squeezing happily into the Mille, to demonstrate that the car has lots of room for the whole family. A shot of the Mille confronting a very large bull put across the message that the car was made to last. Finally, disappointment on the face of a petrol station worker illustrated the car's economical advantage.

The latest ad campaign for the Mille tries to fill in the marketing holes not addressed in the first round. The theme is "getting to know Brazil", and shows the Mille zipping around the countryside - an attempt to counter consumers' perception that the Mille is not a good traveller.

The campaign also hopes to add a bit of glamour to the model's image. It features a well-known actress, Carolina Ferraz, who treats the car as if it were her best friend. Together, Carolina and "Mille", as she affectionately calls her automobile, discover historic towns all over the country. The makers of the commercial hope it will give Brazilians the idea that the Mille is fashionable as well as practical. It may also give them the idea that the Mille is not only the cheapest, but also the luckiest car on the market.

The Hungarian consumer

More choice but higher prices

Philip Rawstone on economic pessimism

Most Hungarians feel life today is harder than it was under communism 20 years ago, and they are more fearful of the future.

The traumas of transition to a market economy are revealed in a detailed study of Hungarian consumers by Young & Rubicam Europe, the US-owned advertising agency.

Economic pessimism, far outweighs political optimism among those surveyed. Fifty-six per cent say they are worse off than they were in 1970; only 23 per cent believe there has been any improvement.

The free political climate is welcomed but it is suffused with concern about social problems and job security. Those who believe their standard of living and quality of life have deteriorated substantially outnumber those who claim to be better off.

For every consumer who points to the higher range of goods in the country's shops as evidence of improvement, three cite higher prices as a sign of worsening conditions.

Two per cent enthuse about the advent of a new economic system; a similar proportion gloomily concludes that everything is going down the drain.

Fear of change apparently pervades all but the more energetic young and better educated who feel they have most to gain from it. Nearly six out of 10 face the future with fear.

Analysing Hungarian consumers by the 4Cs system - cross-cultural consumer characteristics - the Young & Rubicam survey focuses on the fundamental needs and beliefs that guide their lives.

It segments consumers according to six basic values which motivate them - survival, security, belonging, status, self-esteem, and self-realisation.

Compared with other European countries, Hungary has an above average proportion of people whose primary concern is survival. These "resigned or struggling poor" make up 26 per cent of the population.

Incomes are low - an average 8,400 forints (2435) a month - and unevenly distributed. They are the subject of a great deal of discontent. A majority of all adults have more than one job.

Only four out of 10 people overall think they can save any money. Among the poorer, any savings are generally earmarked for old age, the proverbial rainy day, or to pay debts.

Among the more successful and innovative groups, saving is more likely to be aimed at buying household equipment, furniture, clothes, or paying for holidays. Expensive purchases are planned well in advance.

Ownership of many durable items is still fairly low but the desire for them is strong, particularly among the groups most likely to benefit from the new economic order.

Over 90 per cent of households have a refrigerator and washing machine; over 80 per cent own a vacuum cleaner; seven out of 10 have a spin dryer.

Watching television is the most popular leisure activity but black and white TV sets, found in 62 per cent of households, are still more prevalent than colour sets.

Only two out of 10 households have a telephone, tape recorder or video-recorder. Even fewer possess hi-fi stereos. Compact disc players, personal computers and microwave ovens are found in six per cent of homes. Dish washers and tumble dryers are very rare.

Consumer electronics are at the top of most people's want lists. Around a fifth of households expect to buy their first colour television, telephone, freezer or video-recorder in the next two or three years. But fewer than 10 per cent intend to acquire a car in the next 12 months.

The survey suggests that companies entering the market will find many opportunities for targeting potential customers among the groups most interested in electronics.

Listening to the radio and reading newspapers come close behind watching television as leisure pursuits.

What sort of society will British children of today live in as adults? Will it be a nightmare world where industrialisation has run riot? Or will they live in a "golden age" society where science has been harnessed to solve environmental problems?

These are the questions addressed by the Henley Centre for Forecasting in Young Eyes: Children's Vision of the Future. Examined and commissioned by BT, the UK telecommunications group.

One thing is for sure, by the year 2025 when today's children are in their 40s, there will be more people living in Britain. The population will have increased by 6m and the age of the average Briton will be higher. One in

A future of environmental materialism

four will be over 60 years old. One in five will be between 45 and 50.

Even so the typical family will look roughly the same. There will still be two children in an average family unit. The divorce rate will be higher, but most children will still grow up with their natural parents. But more children will be born with the rising divorce rate, with higher life expectancy many more people will live to see their great-grandchildren.

The families of the future will be more likely to live in rural than urban communities. By the year 2025, the only people left living in cities will be the very

rich and the very poor.

The girls of the early 1990s will lead their adult lives in a society where the difference between the sexes is less rigidly defined than it is today. Women will represent half of the workforce, compared with 45 per cent today. Men will share responsibility for household chores. However, Henley predicts a polarisation of the workforce. At one end of the spectrum there will be an

elite of highly skilled workers, who will be so valuable to their employers that they will be able to demand higher wages and more flexible working practices.

But at the other end will be a sizeable underclass of unskilled workers. These workers will have to accept low wages, poor conditions and, probably, periods of unemployment.

Working patterns will have changed dramatically by the 2020s. Flexible working - whereby some people work from home and others work sporadically - will be the norm and the concept of the "typical employee" will have become redundant.

As a result people will have more leisure time and the old taboos about enjoying time away from work will have disappeared. Henley suggests that when people are asked "What do you do?", they may mention their "collection of 1990s antiques" or "secondment to an environmental monitoring body" before their work.

Henley predicts that some companies, particularly those concerned with high technology, will completely change their product portfolios on a regular basis. This means that companies will increasingly be defined not by what they make, but by whom they employ.

The overarching issue when considering what the world will be like in the year 2025 is the fate of the environment which, Henley's research suggests, is a dominant concern for the children of today.

Will they grow up into an environmentally pure paradise or into an industrialised nightmare? Or will they, as Henley suspects, lead their adult lives in a society which is somewhere between the two? Where people still lead materialistic lives and the environment is in poorer shape but not verging on crisis.

Young Eyes: Children's Vision of the Future Environment. Henley Centre for Forecasting, 24 Tudor Street, London EC4A 3DF. £50.

Alice Rawsthorn

TECHNOLOGY

Hot idea for meals on wheels

Inmates of Cook County jail in Chicago will be getting hot meals soon thanks to a new screen-based product claimed to be the best in the world for simulating materials handling in three dimensions.

When AutoSimulations, the small, Utah-based producer of the system, received the contract, the prisoners and the food vans became moving symbols on a 3-D plan of the cell block and its underground food delivery system. The aim was to get the food to the prisoners quicker, keeping in mind the constraints on certain prisoners' mixing.

In the UK, prisoners may still have to make do with cold porridge, but Frazer-Nash Technology, the Leatherhead-based computer simulation firm, has introduced a new product called AutoMod II in Britain. The product has wide applications in manufacturing and beyond.

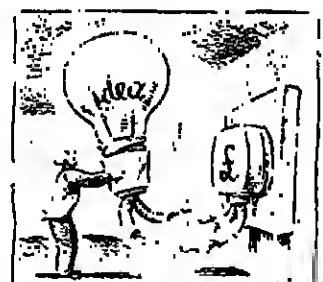
AutoMod II enables a manufacturer to build an entire factory in 3-D, then put the moving parts in such as forklifts, cranes, pick-up trucks and people - and watch what happens.

The aim is to spot bottlenecks in the handling process, or collisions between moving elements and static parts of the factory. Unlike other 3-D systems, AutoMod II can put multiple cranes on to the same aisle of a warehouse, a feature that could be attractive to food manufacturers that need to shift products fast.

Mike Beer, chairman of Frazer-Nash, says the savings could be enormous for a company planning a new facility or wishing to examine the materials handling implications of introducing a new machine into an existing plant. Conversely, a simulation costing £20,000 to £30,000 might show that a new facility would not produce the efficiencies claimed for it.

The system was launched in 1988 in the US, but AutoSimulations waited until last year to arrange overseas sales because of teaching problems. The system can be applied to most situations involving discrete movement. "The M25 might have benefited from being simulated on AutoMod II," comments Beer.

Andrew Baxter



Innovation is a fact of life in the information technology sector. Development cycles shorten inexorably, driven by endless advances in microelectronic technology. The product cycle of a personal computer is now less than a year; a new machine has to be brought to market in less than six months.

Amstrad of the UK, one of the two UK innovators in laptops and notebook machines, introduced at the Hannover computer fair this year a laptop computer featuring a high-definition colour screen based on a novel liquid crystal technology. These screens have only been available from suppliers in Japan for the past 12 months or so. They are difficult to fabricate and the yield of perfect screens is only a few per cent. They are accordingly very expensive.

The Amstrad colour portable, which will not be available until next year, represents a considerable departure from the company's usual product strategy. Innovation for Amstrad has traditionally meant finding new ways of manufacturing standard products at lower cost than the competition. Technological innovation has not, until now, been a strong suit.

But Alan Sugar, Amstrad chairman, believes that small, portable machines represent the future of personal computing. The company's first portable computer has been well received - according to the latest UK figures from the market research consultancy Romtec - and is edging ahead of Compaq of the US and Toshiba of Japan in this sector.

Malcolm Miller, Amstrad's marketing director, underlines the extent of the change: "To take market leadership in the sophisticated, high-price and high-quality laptop market two or three years ago would have been unthinkable."

Amstrad's laptops represent the company's belief that IT companies which fail to innovate lose competitive edge, market share and, eventually, their hold on the business. Amstrad's innovation is not

Alan Cane continues a series on innovation in the recession by explaining why the UK computer industry cannot afford to cut back on R&D

A race that does not lose pace

limited to computers; in the past year while the recession has been deepening it has made good its promise to launch at least one new product a month including games machines, videorecorders and satellite systems.

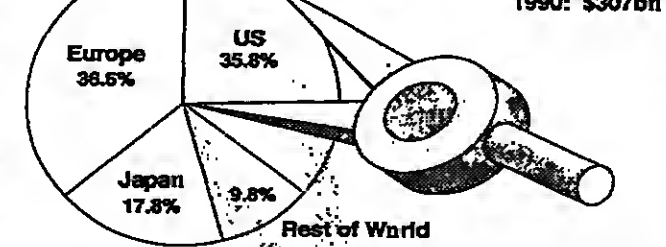
The first imperative for companies faced with continued innovation in the tech of the recession is to maintain spending on research and development. For most, that means investing at least 10 per cent of sales. Some - the high-performance personal computer supplier Compaq is an example - have managed with much less, but their innovation has traditionally been directed towards improving the quality and effectiveness of established designs, rather than pioneering new computer architectures.

Richard Livesey-Haworth, managing director, product operations for ICL, the UK-based computer manufacturer now owned by Fujitsu of Japan, points out that despite the recession in the UK, ICL's entire product range has been overhauled over the past two years, from mainframes to personal computers.

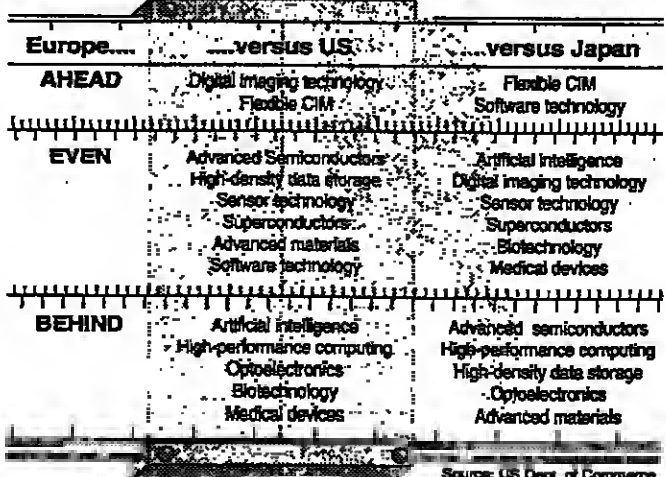
ICL's approach has been to multiply its research efforts by exploiting its strategic partnerships with other companies; its technology agreements with Fujitsu, for example, give it access to the Japanese company's semiconductor technology when it is tried and tested but before other companies have caught up. The result, as Bonfield is fond of pointing out, is that one plus one can equal three.

Partnerships of the kind pioneered by ICL and Fujitsu are now commonplace across the worldwide computer industry. The industry itself is going through the largest structural change it has known in 30 years. The principal causes are the availability of ever more powerful technology at ever declining prices and moves among customers to "open"

WORLDWIDE IT MARKET 1990: \$307bn



EMERGING TECHNOLOGIES



systems, both of which have put heavy pressure on manufacturers' gross margins.

In addition, there are clear signs that the worldwide computer market is beginning to mature - put less diplomatically, customers are beginning to suffer indigestion from a surfeit of IT. The confidence of these factors is behind the crisis. Livesey-Haworth points out that a manufacturer can live with high margins and low growth or low margins and high growth but not low margins and low growth.

Against such a background, the worldwide recession is simply one more cross IT suppliers have to bear; for those that

hope to weather the storm, cutting back on innovation is simply out of the question. Groupe Bull of France, which has suffered from the disjunction in the industry perhaps more than any other major manufacturer, is stepping up research and development both in proprietary and open systems.

Philip Crawford, director of Bull's systems group in the UK, argues that it is vital to invest in R&D while in recession to enable a company to differentiate its products from its competitors. Bull is investing heavily in systems for the health service, for local government and for the police.

David Potter, chairman of

Pison, the UK-based company best known for its "Organiser" electronic notebook, argues that research and development has to be a long-term strategy measured in years rather than months or quarters. He is investing about 9 per cent of sales. "During a recession it is the last thing to be cut back. It reduces profits and costs money but it is not something that can be skimped."

The effect of the recession, he says, has been to slow down the introduction of new products rather than retard innovation. This year, for example, the company announced a new hand-held computer family intended for volume sales to corporate customers. Work on the design of the machine, which is intended to bring computer power cheaply to activities such as stock control and point of sale, began four years ago; tooling for manufacture began two years ago.

Later this year, the company intends to launch a new range of systems, but is glazing away in details. Potter says: "No part of the planning for these products took part in the time-scales of this recession. It has a salutary effect, nevertheless. It encourages management to think in terms of long-term 'look'." Hardware is only half the IT story, however. Profits for UK computing services companies are down 14.25 per cent this year despite revenue growth of 14.4 per cent. Most blame the recession.

The best performers included Micro Focus, Capita and Admiral. Clay Brendish, chairman of Admiral, emphasised the importance of squeezing more innovation out of established products when funds were tight. Admiral, for example, is developing further its radar trainer for air traffic controllers with the aim of selling to customers overseas.

Customers can play an important part in the innovation process. Comshare, for example, a large software house specialising in executive information systems would have liked to link its display technology to IBM's new technology database DB2. It thought it was impossible. But, according to Comshare's UK managing director Ian McNaught-Davis, a German customer thought otherwise. It cracked the conceptual problem, after which Comshare found it easy to finish the development of the product.

The final article in the series, to appear next week, will focus on how the recession is affecting small business R&D.

Power failure in energy efficiency

By John Hunt

The UK government's white paper on the environment, published last September, emphasises that energy conservation is the cheapest and fastest way of tackling global warming, reducing acid rain and bringing economic benefits to industrial and domestic power users.

In a speech last month to the Lighting Industry Federation, John Wakeham, energy secretary, said that opportunities exist for local authority to catch the tide of environmental concern by promoting energy efficiency goods and services. But these exhortations come at a time when energy conservation industries - insulation, double glazing and heating control systems - are suffering as a result of the recession.

"The market for energy conservation goods and materials is being decimated," says Andrew Warren, director of the Association for the Conservation of Energy (Ace). "It is not even standing still. It is going backwards."

Figures compiled by Ace show the UK market for energy conservation dropped by 38 per cent in the past two years. Cavity wall insulation was down 49 per cent, double glazing 34 per cent and boilers and radiators 25 per cent.

Energy conservation industries complain that the government has reduced financial support and promotion over recent years. They compare the present situation with the days when Peter Walker, energy secretary from 1983 to 1987, ran a campaign to promote energy conservation and declared 1986 Energy Efficiency Year.

In 1986-87 spending by the Energy Efficiency Office at the Department of Energy amounted to £20m - including £7m on promotion and publicity. Last year this budget had dropped to £15m. This year, however, it is £20m and next year should reach £27.5m.

Nevertheless, Ace argues that these latest figures are misleadingly high because they include funding for a home energy efficiency scheme which the Department of Energy has taken over from the Department of Employment. The scheme, which costs £27m this year and £30m next, provides grants to low-income households for home insulation. When this sum is taken out the figures for promotion of energy saving remain almost static.

The government used to provide half the cost of conducting energy efficiency surveys of industrial premises through the industrial energy survey scheme. This was scrapped even though the National Audit Office estimated that it resulted in £30 worth of energy saving for every pound spent.

However, the Department of Energy is now working on a new scheme to replace it. This is still on the drawing board but could provide financial assistance to managements which are reluctant to spend money to improve energy efficiency. There is also criticism of the way energy conservation is taxed. All forms of energy saving materials and equipment are subject to VAT but domestic and some commercial use of gas and electricity is not.

Alan Onslow, spokesman for the National Cavity Insulation Association, says that the market in cavity wall insulation for existing homes has halved since 1987. But the cavity market for new houses and housing associations has shown a little growth. Over the past three years draft proofing has declined 50 per cent while loft insulation has dropped 20 per cent over four years.

Although high interest rates and the recession have played a part Onslow maintains the contraction of the market started when the Energy Efficiency Office called off its press and television advertising campaign for energy efficiency. There is a need to encourage a buoyant domestic market for energy conservation technology and materials so that industry can compete in the growing export markets for these goods. But environmentalists complain that the UK lags behind competitors like Germany and Japan.

Next year a world climate convention to combat global warming is likely to be drawn up at the Environment and Development Conference in Rio de Janeiro. This could lead to a steep increase in demand for energy efficiency measures to reduce carbon dioxide.

ARTS

Translations

BIRMINGHAM REP

As Peter Brooke's Ulster talks continued deadlocked at Stormont, Brian Friel's *Translations* opened at the Birmingham Rep. The Ulster delegates should take time out to see this play, for it charts a story of tightening British power in Ireland following the Act of Union. The play's issues are clear: what happens when one culture imposes itself on another? And how do individuals communicate when they do not share a common language?

The imposition takes the form of the British military cartographers who swarm over the Irish landscape to survey, standardise and rename it. The indigenous Irish speak not only the vernacular, but also Latin and Greek. For them, speaking English becomes a political statement, an opinion about the future. But the headstrong British speak only English. A translator is required to mediate between the cultures.

The result is a political commentary and a linguistic orgy. The survivors have the power to create ("We name a thing and it keeps into existence"), and the locals to dissent, for words are "signals, counters." Friel territory is the place where language games are serious. The British surprise faces an Irish landscape in decline, and has to calculate the cost of standardisation; it all depends whether one thinks language evolves by changing or by resisting change.

The personal issue takes shape when George Yolland (Stefan Eggert), a British topologist, turns native; he falls for the language and for neighbourhood beauty Maire (Slobhan Stanley). Neither speaks the other's tongue. The best scene in the play shows their mutual education by force of words which neither understands.

Friel's outlines are strong, but take a beating from a weak cast. Their interchange lacks intensity and sparkle, although Shay Gorman plays Jimmy Jack well as an appealing old man sailing back to Byzantium on a raft of Latin and Greek quotation. Christopher Campbell as Owen "translates" adroitly, and makes himself interesting enough for us to care about his Republican strivings at the end.

But the actors were hampered by a disappointing set. It puts an 1830s bottle and a giant theodolite in dizzy proximity, and leaves half the stage unattended; but then perhaps that makes the thematic point about the Irish being pushed to the side of their own lives by the British. The electric-vernacular music also pushed the acting out of kilter; it was lustrous. The awkward design looks plausible, and moved from emerald green to livid red in the strange peroration spoken by Hugh, the old schoolmaster.

However, it is hard to damage such a strong play. *Translations* has been current now for ten years. Friel can make the slightest action into a cultural statement. The problems *Translations* tackles on a personal and political level are still relevant. Questions of naming stubbornly persisted in this week's news that the Irish government wishes the Ulster "talks to take place on the island of Ireland"; does it mean Eire?

Andrew St George

West Coast answer to Annie Hall

L.A. STORY
Mick JacksonTHESE FOOLISH THINGS
Bertrand TavernierROBIN HOOD
John IrvinOVER HER DEAD BODY
Maurice Phillips

As one who was touched for life by his first visit to Los Angeles, I loved L.A. Story. Steve Martin's romantic comedy, which he scripted and stars in, is a West Coast counter-punch to *Annie Hall*. What Woody Allen's film did for New York - chart a love story between two people that was also a love affair with a town - Martin does for the city of the angels.

For Art Deco high-rises read Hispanic ribbon development. For jokes about pseudo-intellectualism, read jokes about health food. For heroine Diane Keaton read Victoria Tennant, Martin's real-life wife, here playing an English magazine reporter editrix in Los Angeles. And for Allen's bugged-out hero, stressed out on traffic and high-octane table talk, read Martin's sun-touched TV weather forecaster who wants a new job and a new romance. There is something extraterrestrial about Steve Martin's persona. No other anything has hair that silver, eyebrows that dark or features so wreathed in an enigmatic, impenetrable smirk. But it is subtly edged with hysteria. The joke in Martin's image is that Prince Charming looks no together with a personality studded with panic buttons. The layers are as complicated as a mille-feuille. In L.A. Story Martin's weedy-for-a-living westerner is the mask worn by a wry, languid Angelino; and the wry, languid Angelino is a mask worn by a romance-

seeking warrior who quotes Shakespeare, falls in love and has conversations with a freeway sign.

"Hug me" says this last, a giant board of winking lights, as night after night they rendezvous by the roadside. By day, Martin trips after Miss Tennant, gets entangled in a rival romance with balletic "spokesmodel" Sarah Jessica Parker and traverses the diurnal idiosyncrasies of L.A. life. These champagne moments are served with sparkle by British director Mick Jackson. Relish the serenity with which half-dozen restaurant lunchers continue eating, drinking and talking through an earthquake. Or admire the friendly mugger who relieves Martin of the dollars he has just withdrawn from a cashpoint: "Hi, I'm Mike, I'll be your robber."

Martin has recorded something deep and indelible about L.A. Although the place is a wrecked Paradise just like John of Gaunt's England in *Richard II*, the vandalism vis-

ited on the city are half its charm. How cloying this earthly Heaven would be without its smog or earth tremors; on indeed its keep-sung citizens who try to put abuzz into everything from weather-reporting to wallet-relieving.

The earthly Heaven in Bertrand Tavernier's *These Foolish Things* is patrolled by different serpents. They rustle forth from a family's past. In a handsome villa overlooking a Côte d'Azur bay Dirk Bogarde, Jane Birkin and Odette Laure play the bi-lingual Franglais family enjoying a long day's journey over *la nuit*. Bogarde is a dying Englishman. Laure is his Catholic French wife, rueful, despotic and stubbornly francophone. And Birkin plays the go-between daughter, soothing a Mum addicted to silence and Coca-Cola while stoking Dad's regenerative memories of happier times.

The film is so simple that it could pass for inconsequential. It did to the jury at last year's Cannes Film Festival, who sent it home prizeless. But the questions and conflicts Tavernier wrote large in his last film, *Life and Nothing But*, are written small and exquisite here. Quotidian anxieties and deeper fears both seek an elusive quietus. Tronbled Birkin rocks herself into a numbed emotional peace on a midnight beach; dicky Bogarde fusses over what handkerchief to wear with what jacket on leaving hospital. But the same cosmic interrogative spans all.

What can human beings do about the past? Does the world turn more freely by ignoring that past or by embracing and resolving its traumas and tragedies? Here the landscape of the face replaces the landscape of the battlefield. From Bogarde's prim, quizzical phiz lined with old leishers to Laure's toothy volatility of feature, as ragged and capricious as the weather. Based on memories of her own family by screenwriter Colin Tavener, the director's ex-wife, *These Foolish Things* combines the smarming immediacy of autobiography with the wry sweep of a human comedy.

Entries are now being accepted for the year of competing Robin Hoods. With Kevin Costner's all-colour Hollywood romp due shortly, bow thoughtful of Britain to offer a sombre-hued Socialist Realist version in which Robin, played by burning-eyed Patrick Bergin, defies the tax-exorting Normans (Jerome Krawiec and Jürgen Prochnow - Sassi) and England is a land of mud and proletarian struggle. This Robin is a fallen nobleman with radical leanings, just like Tony Benn. And his Marian (Uma Thurman) is clearly dying to get into a book of Great Early Feminists. A plucky young girl, she defies an arranged marriage to Mr Prochnow and takes cross-dressed and confident to the forest.

The screenplay was co-writ-



Sarah Jessica Parker and Steve Martin in 'L.A. Story'

ten by playwright John McGrath, who presumably added all the down-with-the-tofts touches to Sam Resnick's original script. In this England a poacher is defended by Robin as "a useful member of the community"; the phrase "local taxation" has the same catalytic effect on the peasantry as it has in our age; and we end up with the rosy dawn of a Norman-Saxon entente and the message that "We all live together on this island."

Director John Irvin (*Dogs of War*, *Hamburger Hill*) extracts happy bravado from the action

scenes, with Mr Bergin swinging merrily between minstrel galleries in the stately chandler-and-heroine-snatching event. And Jason Leibel's photography prettily mixes high-contrast tones with desaturated colours. We only wish the film's PBS dimension had been less evident. Legends can lend themselves to changing times without being forcibly hijacked by them.

Over Her Dead Body belongs to that connoisseur genre, the corpse-disposal comedy. What would you do if, like heroine

Elizabeth Perkins, you accidentally killed your sister after she discovered you in *flagrant* with her husband? You would, according to director and co-writer Maurice Phillips, motor around the Midwest trying to drown, bury or otherwise recycle the evidence. There is spliffy acting from Perkins and much laughter early on. But returns diminish, and 90 minutes is a long time in which to watch a small plot being put through an astronomical number of permutations.

Nigel Andrews

The Music of Andrew Lloyd Webber

PRINCE EDWARD

Avoiding like the plague the ridiculous obsession with the status of Andrew Lloyd Webber as a global composer - third division stuff but more humble than Tippet - when judged as entertainment *The Music of Andrew Lloyd Webber*, available at the Prince Edward for a limited period only, offers a safe night out.

If you are bewitched by the vocal and physical charms of Sarah Brightman it is very paradise. Mr Lloyd Webber is only present through his music but his ex-wife is scarcely off the stage, emoting like mad through a baker's dozen of Andrew's songs, from the knockabout fun of *Joseph* to the serious business of *Phantom*.

When not belting them out in that shrill, insistent, but not totally tuneless voice, she is changing her dresses to good effect. Sarah Brightman gives the impression of only existing on the stage which has been her world since the age of 13. As a result her acquaintance with reality is fleeting and there is much pleasure to be gathered from her cameos of anyone other than Sarah Brightman -

the ageing secretary in the under-rated *Tell me on a Sunday* or the virginal saint on *Requiem*. For Miss Brightman acting consists of opening those magnificent doe eyes ever wider.

At least the show is not a rip-off. It is directed with commendable precision by the maestro himself, and there is a large, enthusiastic orchestra and ten back-up singers who shimmer "Look at me" as effectively as the star. His songs beautifully mirror the superficiality of the age and Sarah Brightman is the supreme exponent of them. Her soap opera life undoubtedly adds a tingle as she manages to inject a stiff upper lip joke about her ex and his new wife into the act. And you can almost feel the "eat your heart out Elaine Paige" expression on her face as she floats on, all white dress and pulled back hair, as *Erika*. Miss Brightman, as the programme insistently calls her, is now living in California. It is a marriage made in Heaven.

Antony Thorncroft



Edward Fox in 'The Philanthropist', which opened at Wyndhams Theatre last night and will be reviewed in tomorrow's paper

Rivka Golani

WIGMORE HALL

The sound of the viola when Rivka Golani plays it is peculiarly arresting: at once musical and taut, with a particular "speaking" quality in mid-range. This individuality of timbre is focussed by fervent bow-attack and decisive rhythmic thrust, both of which virtues do much to compensate the familiar impression of the instrument as predominantly a vehicle for mild, veiled or gently plangent thoughts and feelings.

In the Wigmore on Tuesday, Miss Golani's playing was heard to maximum advantage; the acoustics of this beloved hall always lend a special glow to string instruments, and so the innate fire of hers was communicated with increased potency.

Miss Golani is also an adventurous musician, a muse to living composers and an explorer

off the main paths of the repertoire. It can be argued that the majority of viola players who aim to give recitals will be forced to be at least one, if not both, of those things, since the quantity of music written for viola soloists is relatively so scarce. Nevertheless the programme that she and her concert pianist, Konstantin Bogino, had chosen for this occasion did credit to both: it was full, substantial, and well varied.

The "past" composers were Schumann, Joseph Joachim, and Brahms; those of our century were Britten and Peter Maxwell Davies. Alike in the Schumann *Märchenbilder*, which opened the concert, and the Brahms *F* flat sonata, which closed it, one's attention was constantly gripped by the hold largeness of style that united violist and pianist -

the command of portamento, or spontaneously flexible phrasing, was romantically impassioned and romantically convincing.

Both players also did their considerable best for Joachim's long-winded *Theme and Variations*; on her own Miss Golani lent so much drama to the spectral gestures of Maxwell Davies's *Doors of the Sun* that its thinness of invention was made to seem purposeful. But the evening's peak was a vigorous and full-blooded account of the Britten *Lachrymae* (Op.48) - not at all "English", yet entirely idiomatic on its own terms, decked in a range of bitter-orange and brown-velvet hues that chimed marvelously with both Dowland (by whom the music is inspired) and Britten.

Max Loppert

Andreas Schmidt

WIGMORE HALL

Greatly in demand, young Schmidt is the very model of the modern German baritone: intelligent, deeply respectful of traditional (postwar) *Lieder* style - he is a Fischer-Dieskau product - and wielding a voice of firm, polished character, so well-honed that it scarcely varies from song to song. The most "individual" feature of his Schubert recital with Rudolf Jansen on Monday was his decision to perform *Schwanesong* without its last song.

And why not? The much-loved *Schwanesong* isn't a real cycle, after all, but only a posthumous collection. It was the programme-dispute that was curious. It reinforced the impression made by Schmidt's singing: that for all his scrupulous commitment, he is shy of taking first-person responsibility for his songs.

Considered on its own, each song in Schmidt's programme was shaped with well-studied purpose, and usually to excellent effect. If an occasional turn of phrase seemed his great teacher, it was never thoughtless copying; only in "An Schwa-

ger Kriemhild" - the sexy recital at *Labi d'ich* did we get a pure imitation of Dieskau's floated, pleading head-voice. Heard in succession, however, the songs began to seem dispassionate exhibits, for all Schmidt's clarity and his well-focussed depths.

"Bass-baritone" is surely his ultimate aim: though it's easy to hear why he was cast early as Wagner's Wolfram, romantic but sternly chaste, the voice has the dark, abrasive gleam - and the technical finesse - for Beethoven's *Pizzaro* too.

Just now, the ideal Schmidt *Lied* would seem to be one that is impersonally ardent or martial, perhaps with a tinge of rhetorical grandeur. But a lot of Schubert songs, including several in this programme, depend upon a familiar period-twist, away from virile rhetoric toward a vulnerable, intimate tone; that was where Schmidt tended to rely upon suave fiction as a substitute for directly exposed feeling. "Der Doppelgänger", for example, made a starkly

impressive close for the programme, and the generalised fervour of "Aufenthal" was stirring.

On the other hand, Goethe's "Ganymed" - a deeply, queasily erotic poem - sounded ludicrously gung-ho, the evergreen "Ständchen" too brisk and unselective to redeem Jansen's dry mock-lute accompaniment; and Schmidt turned the breathless, disarming self-cockery of "Rastlose Liebe" into simple athletics.

There, as in other songs where Schubert's wooden-frame piano should be remembered as an articulate instrument, not a modern fog-machine, Jansen was just a muzzy Impressionist. In sterner songs, especially Goethe's, he was tougher and better. But too much like his singer: what Schmidt needs, to fulfil his all-round promise, is a partner in exploring lyrical candour, without the hedge of third-person detachment.

David Murray

Lou Donaldson Quartet

JAZZ CAFE

Lou Donaldson is the sort of jazz whose famous original recordings, like *Blues Walk*, *Blues for* and *Blues for*, are so scratchily secondhand LP in specialist shops. Several of his old Blue Note albums, including *Lou Takes Off*, have recently become available via Japanese reissues of nearly £13 apiece (for vinyl). Blue Note's *Blues for* Monk, Mingus and Blakey - the altoist helped invent and develop groovy soul jazz in the late 1950s and '60s.

So it was surprising there were so many empty tables at north London's Jazz Café when he opened there on Monday for six nights. Perhaps everyone was at the Royal Festival Hall for the younger and ubiquitous tenorist Andy Sheppard.

Certainly Donaldson's quartet of piano (Herman Foster), double bass (Jeff Fuller) and drums (Brian Kirk) offered no

huge surprises as it ran automatically through standards like *Stella by Starlight*, *Blues for* and *Blues for*. Donaldson zipped through *Cherokee* and *Ornithology* in the most perfunctory way and even checked his watch a few times between solos.

He has been doing this stuff in clubs for 40 years or so and it shows - but it remains a classic sound and it will have all but disappeared by the end of the century. You get the feeling that Donaldson knows he and his speeding alto are part of a glorious fading jazz era. "This is a tricky one," he says introducing *Fest and Freaky*, "and not recommended for fusion musicians."

By his side pianist Herman Foster, blind and enigmatic behind dark glasses, bares his teeth in one lyric. Foster is a tremendous sideman: the blues rising suddenly from his

piano into a frantic solo which subsides just as abruptly when Donaldson takes over. He makes no attempt at joining the rhythm section but fires up periodically for ringing soulful solos. Brian Kirk is similarly loud, brash and entertaining after the Blakey school of bop drumming. The only concession to modernity is Jeff Fuller's bodiless double bass, the Zee Bass.

Donaldson, looking like a bluesman should in a sharp suit and pencil tache, introduced his "suffrin' music" by singing "Whisky drinking woman" and sounding like T-Bone Walker. His alto playing combines a love of that sort of swinging blues with the influence of Charlie Parker and although routine to him by now, it still comes over as natural soul.

Garry Booth

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Claus Peter Flor conducts Royal Concertgebouw Orchestra in Shostakovich's Tenth Symphony and Brahms' Double Concerto. Sat: concert performance of Lucresia Borgia (6718 345). Beurs van Berlage 20.15 Antoni Ros-Marba conducts Netherlands Chamber Orchestra in music by Mendelssohn, Mozart and Schubert, also tomorrow (6270 466). Musiktheater 20.15 Hamburg's Thalia Theater in Robert Wilson's *The Black Rider* (6225 455).

BERLIN

Staatsoper unter den Linden 19.00 Egon Bischoff's production of *Swan Lake*. Sat: Reiner Goldberg sings Tannhäuser. Sun: Michael Giesen conducts Pelléas et Mélisande (2004 782). Komische Oper 19.00 Harry Kupfer's German-language production of *Così fan tutte*. Tomorrow and Sun: Kupfer's new production of *Der Barbier* (2222 555). Deutsche Oper 19.00 Neil Rosenshein sings title role in John Dew's production of *Faust*, with

Inga Nielsen as Marguerite. Tomorrow: Aida with Sharon Sweet in title role. Sat: Il trovatore. Sun: Götterdämmerung (6410 249).

Schauspielhaus 20.00 Hans-Peter Frank conducts Weimar Schauspielhaus in Bruckner's First Symphony and Prokofiev's Third Piano Concerto, with David Lively. Sun and Mon: Tennstedt conducts Mahler's Sixth (2272 261).

BOLOGNA

Teatro Comunale 18.00 Christian Tieleman conducts Luca Ronconi's Italian-language production of *Capriccio*, with Raina Kavalanskia as the Countess. Last performance on Sat. Tomorrow: Temirkanov conducts Royal Philharmonic Orchestra (529998).

CHICAGO

Orchestra Hall 20.00 Daniel Barenboim conducts Chicago Symphony Orchestra in American premiere of Edison Davis's Symphony for large orchestra, plus Prokofiev's Third Piano Concerto with Martha Argerich. Repeated tomorrow and Sat (435 6666).

COLOGNE

Opernhaus 19.30 Jochen Ulrich's Tanz-Forum production of *Romeo and Juliet*, music by Prokofiev. Tomorrow: James Conlon conducts Simon Boccanegra, with cast led by Alexander Agache and Carol Maria Jones. Sat: *The Barber of Seville*. Sun: L'Elisir d'Amore (221 8400). Philharmonie 20.00 Piano recital by Dmitri Sgouros. Sat: Gary

Bertini conducts Cologne Radio Symphony Orchestra (2801).

GENEVA

Grand Théâtre 20.00 Armin Jordan conducts Mahler's Tenth Symphony, with Don Giovanni, with Thomas Hampson in title role. Last performance on Sat (212311). Tomorrow in Victoria Hall: David Zinman conducts Sussle Romende Orchestra in Sibelius's Second Symphony, with Elisabeth Leonskaja soloist in Brahms' Second Piano Concerto (292511).

LONDON

MUSIC AND DANCE Covent Garden 18.00 Marie Ewing sings title role in Nuria Epper's production of *Carmen*, with Luis Lima as Don Jose. Tomorrow: Hildegard Behrens sings *Tosca*. Sat: Kathleen Kuhlmann sings *Anna Karenina* (240 1066). Coliseum 19.30 Philip Langridge sings title role in Tim Albery's new production of *Peter Grimes*, conducted by David Atherton. Tomorrow: world premiere of Stephen Oliver's new opera *Timon of Athens*. Sat: The Cunning Little Vixen (836 3161). Queen Elizabeth Hall 19.45 Balanescu Quartet plays four works by Michael Nyman. Tomorrow: Nicholas Kraemer conducts London Bach Orchestra. Sat: Beethoven, Brahms and Mozart violin sonatas played by Augustin Dumay and Maria João Pires. Sun at 11.00: Fischer-Dieskau sings Schubert (828 8800).

Barbican 19.45 Michael Tilson Thomas conducts London Symphony Orchestra in Mahler's

Ninth Symphony. Sat: centenary tribute to Richard Taubert, with extracts from operas by Franz Lehár and others. Sun: Carmina Burana (638 8891). Sadler's Wells 18.30 Birmingham Royal Ballet in programme of four ballets, including new work by William Tuckett, repeated tomorrow. Sat: matinee and evening performances of David Bintley's full-length ballet *Hobson's Choice* (278 8816).

The National has Aien Bennett's stage adaptation of *The Wind in the Willows* directed by Nicholas Hytner, and Alan Ayckbourn's play for all this family, *Invisible Friends*. At the Barbican, the RSC is running *Much Ado About Nothing* and *Love's Labour's Lost*. At the Young Vic, Judi Dench stars in Sean O'Casey's *The Plough and the Stars*. The Almeida has John Dryden's *All For Love*, with Diana Rigg as Cleopatra. Phone Theatreline: Plays 0836 430956. Musicals 0836 430960. Comedies 0836 430961. Thrillers 0836 430962.

NEW YORK

MUSIC AND DANCE Metropolitan Opera 20.00 American Ballet Theatre triple bill including Balanchine's *Ballet Imperial*. Tomorrow and Sat: Le Bayedère (962 6000). New York State Theatre 20.00 NY City Ballet in works by Jerome Robbins and Balanchine. Also tomorrow, plus matinee and evening performances Sat and Sun (670 5570). Avery Fisher Hall 20.00 Zubin Mehta conducts New York Philharmonic Orchestra in Mozart

programme, including concertos for horn and for flute and harp. Repeated tomorrow and Sat (874 2424).

THEATRE

Recommended shows on Broadway include *Lost in Yonkers*, Neil Simon's heart-tugging play in a consummate production by Gene Saks (Richard Rodgers), Miss Saigon, a transfer of Nicholas Hytner's London production (Broadway Theatre), and Andrew Lloyd Webber's musical *Cats*, with a first-rate American cast directed by Trevor Nunn (Winter Garden) and Gypsy, Tony Award-winning production of the musical with lyrics by Stephen Sondheim and the original choreography by Jerome Robbins (Marquis). Ticketron (248 0102) answers inquiries and sells tickets.

PARIS

Palais Garnier 19.30 Opéra Ballet school presents a triple bill, including *Firebird* in the Fokine choreography staged by Pierre Lacotte. Also tomorrow and two performances on Sat (4742 5371). Théâtre de la Ville 20.30 An evening of Japanese dance choreographed by Ushio Amagatsu, also tomorrow (4274 2277). Châtelet 20.30 Semyon Bychkov conducts Orchestra de Paris in music by Mozart and Prokofiev, with soloists Anne-Sophie Mutter, Bruno Giurane and Marijane Lipovsek (4028 2840). Salle Pleyel 20.30 Heinz Fricke conducts Orchestre National de France in concert performance of Der fliegende Holländer, with a cast led by Franz Grundheber and Lisbeth Balselev (4561 0630).

PRAGUE

Smetana Theatre 19.00 Natharia Dens Theatre, also tomorrow Smetana Theatre 19.00 Smetana Theatre, accompanied by Pavel Gillovič, plays violin sonatas by Janacek, Brahms and Prokofiev. Tomorrow: Douglas Bostock conducts Czechoslovak Radio Symphony Orchestra, with Michel Karita soloist in Elgar's Cello Concerto. Pre-booking at Sluna ticket agency, Wenceslas Square 28.

VIENNA

Theater an der Wien 19.00 Claudio Abbado conducts Jonathan Miller's Vienna Festival production of *Le nozze di Figaro*, with cast led by Cheryl Studer, Maria McLaughlin and Ruggero Reimondo. Also Sat, Mon and next Wed (586 1676). Staatsoper 19.30 Sylvain Cambiaging conducts La Clemenza di Tito, with Roberto Alexander as Vitellio and Ann Murray as Sesto, also Sat (51444 2960). Konzerthaus 19.30 Frans Bruggen conducts Orchestra of the 18th Century in Mozart's Paris and Prague symphonies, plus Clarinet Concerto with Eric Hoeprich. Sun at 11.00: Georges Prêtre conducts Mahler's Fifth (7124 6860).

WASHINGTON

Kennedy Center Concert Hall 20.30 Neville Marriner conducts National Symphony Orchestra in symphonies by Mozart, Haydn and Dvorak. Repeated tomorrow at 13.30 and Sat (467 4600).

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY 1800-1830 FT Business Weekly 0600-0630 International Business Report

0600-0630 Moneyline 0800-0830 Moneyline 1200-1230 CNN Market Watch 1300-1400 Business Day 1500-2000 World Business Today - a joint FT/CNN production with a review of the day's major business stories

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A five minute business briefing broadcast three times between 0700 and 0800

2200 - 2230 (Wed) Financial Times Business Weekly - the latest round-up of business news with James Gifford and Debbie Middleton.

0830 & 2030 (Thurs) Financial Times Business Weekly

1200 International Business Report 2130 (Thurs) Financial Times Business Weekly

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Beware the false dawn

BRITAIN expects its chancellor to deliver an economic expansion in an election year. It also grants its prime minister complete freedom to choose when that election is to be held. The result is inevitable: discussion of economic policy is subject to election blight for at least a year in every electoral cycle and often for longer.

Rarely has there been a better example of electoral economics than in recent weeks. Commentators have been focusing on just one question: will the large fall in headline inflation for April, to be reported this Friday, provide an excuse for lower interest rates? That decline will mainly reflect tax policy, particularly the introduction of the community charge last year. Why should one cut interest rates because of something that happened a year ago? In recent months declining headline inflation has also reflected lower interest rates. Why should interest rates be cut just because they have been cut?

Such speculation undermines the credibility of disinflationary policy and tends to keep interest rates higher for longer than would be necessary otherwise. A chancellor may be as virtuous as a saint, but he cannot escape public knowledge of the temptations to which he is subject.

Benefits ignored

It is puzzling that a government which has recently shown remarkable determination to lower inflation - to the point that a pre-election boom is almost ruled out - cannot see for itself the benefits of greater central bank independence. It is still more remarkable that it prefers to tie itself to the Bundesbank via membership of the exchange rate mechanism than to grant greater operational independence to the old lady down the road.

Mr Leigh-Pemberton, governor of the Bank of England, may not have his hand on the levers, but he has the next best thing: an excellent pupil. He has been using it boldly, netting in his insistence that the siren voices calling for lower rates of interest, among them the president of the US, should be ignored.

Hanson takes aim at ICI

ONLY LORD Hanson and a few close associates can know for certain why he has decided to acquire a 3 per cent stake in ICI. It may be that his group intends to be no more than a passive portfolio investor which will sell out once it has realised an acceptable profit. However, Hanson's reputation as an aggressive deal-maker suggests that it would be rash to leap to such a conclusion. The possibility must be taken seriously - not least by ICI's management - that the acquisition is a prelude to a full takeover bid.

Because of its size, its importance to the UK economy and its position as a rare British leader in a large world industry, ICI is bound to invite comparison with British Petroleum. If Hanson mounted a bid for ICI, there would be likely to be calls for the government to intervene, as it did several years ago after it was revealed that the Kuwait Investment Office had accumulated a substantial holding in BP shares.

However, there were special circumstances in the BP case. The company was a major supplier of a strategic commodity of vital importance to the UK economy. The prospect that the Kuwaiti government, a member of the Opec cartel, could have used its shareholding to control BP raised legitimate concerns on grounds of both national security and competition policy.

None of these concerns would apply to a bid by Hanson for ICI - with the possible exception of the impact on competition in the market for titanium dioxide, of which the two companies are among the world's largest producers.

Second objection

A second possible objection is that, on past form, one of Hanson's chief motives for wanting to acquire ICI would be to break it up and sell off at least some of its businesses. That could be done as a crude asset stripping, which would rob ICI of the scale needed to compete effectively on world markets. That is highly debatable. ICI's operations are far from monolithic: indeed, they form a cluster of activities which have turned in widely varying performances in recent years. It is not obvious that there are sub-

"I do not believe," he stressed in his speech in Frankfurt on Tuesday, "that monetary policy can, or should, attempt to deliver a target path for real output, even in the short run. The objective should be to provide stable prices and the basis for a steady growth of nominal income that is consistent with underlying productive potential." Absolutely right, not the hackbenchers of the siren party in union, but what about our seats?

Correct answer

The correct answer is that there are more important things than those seats. It is important to know whether 12 per cent is a better rate of interest for the UK right now than 11½ or even 11 per cent. What is certain is that neither sterling's position in the ERM nor domestic inflationary performance cry out for further sharp cuts in interest rates.

Underlying inflation cannot be defined unambiguously. But consider the recent behaviour of just a few indices: over the past three months producer prices have been rising at an annual rate of 9 per cent; and the rate of retail price inflation in April, excluding interest rates and fiscal changes, is likely to rise to 7½ per cent.

Quite as important as indicators of domestic prices are indicators of international competitiveness. Here the picture is worse: wage inflation has been running at 9 per cent, as against 5 per cent in France; unit labour costs have been rising at 12 per cent, as against less than 3 per cent in Germany. Both figures, particularly the second, reflect the UK's cyclical position. But even if that were stripped out, UK competitiveness against its major EC partners is deteriorating month by month. This longer convergence is postponed, the longer the period of slow growth and disinflation required to recoup the ground that is now being lost.

Mr Leigh-Pemberton may not have the right to set policy, but he is doing the next best thing. He is using it to a tact problem is not solved yet, but it must be solved soon. As for the headline rate of inflation, that has long been a worthless barometer.

stantial benefits to be gained by keeping businesses as diverse as pharmaceuticals, seeds and paints under the same corporate roof. Indeed, ICI has already announced plans to prune its portfolio so that it can concentrate on a narrower range of markets. That amounts to a tacit acknowledgement that the prospects of some of its businesses could be improved under different ownership.

Effective manager

Much more pertinent is how well qualified Hanson would be as an owner. The group is best known as a trader in companies, which has thrived by spotting under-utilised assets, re-inventing them and selling them off. It has also proved an effective manager of the varied portfolio of industrial interests which it has retained. However, most of these - and certainly those which have performed most successfully under Hanson's stewardship - are low-technology businesses operating in mature or slow-growing markets. Hanson has never demonstrated either the desire or the ability to invest in the sorts of science-based, research-intensive activities which account for much of ICI's business.

A second reservation concerns the future of the Hanson group. It is, to a quite remarkable extent, the creation of two men, Lord Hanson and White, who continue to exercise tight control over every aspect of its operations. Both are now past normal retirement age and appear to have done little to groom successors. In these circumstances, there must inevitably be doubts about the group's medium-term direction and stability.

Obviously, these considerations remain of theoretical importance until Hanson's true intentions towards ICI become clear. However, if a takeover bid emerges, ICI's institutional shareholders will need to judge its merits on more than just the size of the cash offer or the company's prospects under the continuation of its present management. In the particular circumstances, they will have to pay more than usual attention to the qualities of the bidder.

Three years ago, after President François Mitterrand's re-election to the presidency, Mr Michel Rocard was appointed prime minister, and ever since, the French press has been predicting that he would be sacked. Yesterday, sensationally, the prediction came true: Mr Rocard's resignation was announced in a crisp communiqué from the Elysée Palace, without explanation, followed by the appointment of Mrs Edith Cresson, the first woman prime minister in French history.

Undoubtedly the change of prime minister at the Matignon will mark a significant change of style and attitude in the conduct of policy. Mr Rocard is a social democrat, Protestant with a strong urge to consensual negotiation, a believer in market forces, and a faith in a federal Europe. Mrs Cresson, by contrast, is left-wing and interventionist, nationalist and combative. It is hard to imagine a bigger contrast.

There is another difference which is perhaps even more fundamental: Mrs Cresson has always been among the closest supporters of Mr Mitterrand inside the Socialist party, whereas Mr Rocard has long stood slightly apart, leading a minority clan.

Worse of all, he has long been seen as a plausible challenger to Mr Mitterrand, at least by the French public. The polls have shown that Mr Rocard is one of the most popular French politicians; moreover, they mostly show that he would be the strongest socialist candidate to succeed Mr Mitterrand in the next presidential elections, with a good chance of beating any plausible opponent from the conservative parties.

It is mainly for this reason that French political commentators have repeatedly predicted Mr Rocard's dismissal. It is not just that there is a large personal gulf between Mitterrand and the literary lawyer and Rocard the regional economic administrator. More serious has been the element of personal rivalry. The most cynical analysts used to claim that President Mitterrand only appointed Mr Rocard in the hope that office would wear him out and tarnish his reputation.

However, President Mitterrand also has more conventional reasons for acting. The constitution gives the president a free hand to change his prime minister as and when he chooses. It is not just that he has been freely exercised by President Mitterrand and all his predecessors. Of the 11 prime ministers of the Fifth Republic, only one (Mr Jacques Chirac) resigned voluntarily. The rest were either dismissed or lost a general election. And only two (Georges Pompidou and Raymond Barre) lasted significantly longer than Mr Rocard's tenure of three years.

If President Mitterrand felt he needed to give the government a new look, he probably had to act some time this year. Next year the Socialist party has to gear up for the regional elections, which have become more important as a result of decentralisation; and the year after they face general elections. What is not so clear, however, is how the change of prime minister will affect the government's policies or its chances in the forthcoming elections. It is widely held that President Mitterrand would instinctively prefer a gov-

Ian Davidson examines the implications of the change of prime minister in France

The final parting of the ways



Resignation rumours finally come true: President François Mitterrand, left, and his former PM, Michel Rocard

ernment with a traditional socialist flavour, and that is something which Mrs Cresson will no doubt provide. But it is not immediately obvious that she will be more successful than Mr Rocard in managing a government which does not command an absolute majority in the National Assembly.

Mr Rocard's technique has been to reach out for support from politicians in the centre. He did not manage to recruit more than a few of them into the government, however, so he had to rely on what became known as "La Méthode Rocard": minimise ideological confrontation, ensure that draft legislation is moderate and reasonable, assemble shifting alliances on a case-by-case basis.

For his first two years, this method was remarkably successful, but in recent months it seems to have become less effective. Mr Rocard has had to rely with increasing frequency on an article of the constitution which merely challenges the opposition to lodge a censure motion; and recently he has simply had to withdraw or postpone a couple of bills, because he could not see the necessary majority.

But Mrs Cresson's combative style and left-wing political instincts may make it more difficult for her to secure parliamentary support in the centre. Mr Pierre Méhaignerie, the leader of the pivotal CDS centrist party, has already passed a hostile

attitude to Japanese cars, to the baccinating Mr Didier Pincus-Valencienne, chairman of the electrical engineering group Schneider. She crossed swords with him over the bankruptcy of the Creusot-Loire engineering company in 1984 but he hired her as consultant when she resigned.

Her views on subjects outside her ministerial experience derive heavily from her experience as mayor of Châtelleraut, where she has grappled with problems such as education and immigration.

It is unclear if her hands-on approach to such problems will work in the prime minister's office. As mayor or minister, Mrs Cresson tends to solve problems herself: persuading the head of a company to take on 10 apprentices from her local school, or campaigning in the corridors of Germany's Bundestag to win a privatisation deal for a French business. What will be clearer is the prime minister's relationship to the president: Mrs Cresson is an out-and-out Mitterrandist, so much so that she is one of the few remaining socialists who dares to contradict him.

Into battle for a nation's industry

George Graham on the pugnacious style of France's first woman prime minister

In picking Mrs Edith Cresson to replace Mr Michel Rocard as prime minister, President François Mitterrand has moved his government a notch to the left, but he has also opted for a marked change in style.

Where Mr Rocard has built his political technique on consultation and compromise, Mrs Cresson - never one to mince her words - tends to decide rapidly, intuitively and forcibly.

Her stormy departure from Mr Rocard's cabinet last October showed clearly the main political difference between the two. She resigned in protest at the government's lack of a strong industrial policy from the Ministry for European Affairs which she had headed since 1988.

"I was fed up with talking in a vacuum and having my knuckles rapped. France needs a strong industrial policy and they don't want one, so I'm off," declared Mrs Cresson, who had tried in vain to persuade President Mitterrand to name her to a ministry for trade and industry along the lines of Japan's MITI.

Comments a close political supporter in her Mef of Châtelleraut, near Poitiers: "She knows what has been achieved in the past 10 years, but she is aware of one thing: if the socialists want to take a new step forward, the priority of priorities is industrial policy. A strong France is all very well, a rigorous economic policy is all very well, but they are not enough if you don't have the industrial plan to follow them up."

It is clear that Mrs Cresson, who has little time for the less interventionist Mr Roger Fauroux, the current industry minister, will make activist industrial policy one of the cornerstones of her administration. She has, for example, been a strong advocate of a European policy to support the electronics industry. This may lead France into conflict within the European Community. Mrs Cresson's hostility to Japanese

trade practices, particularly to their exports of cars and assembly plants in Europe, is regarded by Brussels as especially incendiary.

EC policy battles are no novelty for 57-year-old Mrs Cresson. When the socialists first took power in 1981 Mrs Cresson was appointed minister of agriculture. Her energetic and often charming personality won admirers in Brussels, but France's masculine and conservative farm lobby gave her a rough ride - because she was a socialist and a woman. As minister for foreign trade from 1983, she fared better with her domestic constituency, and was widely acclaimed as France's travelling saleswoman.

Mrs Cresson is popular with many captains of French industry; from the chauvinist Mr Jacques Calvet, chairman of Peugeot, who applauds her pugnacity and honesty, as well as her

attitude to Japanese cars, to the baccinating Mr Didier Pincus-Valencienne, chairman of the electrical engineering group Schneider. She crossed swords with him over the bankruptcy of the Creusot-Loire engineering company in 1984 but he hired her as consultant when she resigned.

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verdict on Mrs Cresson's appointment. "I have noticed in the past with Mrs Cresson," he said yesterday, "a lack of honesty and intellectual rigour." He went on to accuse her of "sectarianism, partisan spirit, and a large element of intolerance". That does not bode well for the atmosphere in the National Assembly.

On the other hand, President Mitterrand will surely not want the new government to rely on the small block of 25 communists to its left. He has spent most of his career outmanoeuvring and then stifling the Communist party, and he will not want to be beholden to it now.

There are two important aspects of the French political scene, however, where Mrs Cresson's appointment may prove a significant asset. First, the shock of a change of cast may help stop the unending controversy over the scandals of illegal party financing. The entire political establishment is tarnished by these scandals, but the socialists are suffering most.

Second, the main domestic problems on the government's agenda are now the social issues: education, unemployment, immigration, delapidated dormitory cities, pensions, health. In terms of image, a left-wing prime minister may appear more suited to tackling them than a social democrat.

But the government's biggest single policy issue is the negotiation of new European Community treaties. Mrs Cresson is not a natural European; she is a nationalist. But if she sticks to the existing objective of Economic and Monetary Union, she will be compelled also to stick to a rigorous economic policy. It is hard to see how she will be able to promise a more generous social policy than her predecessor.

France's European policy has hitherto been decided by President Mitterrand himself, and unless Mrs Cresson's appointment indicates a retreat from his previous federalist positions, France is likely to remain in the vanguard of the building of Europe.

As for Mr Rocard, his departure may well mark a new step in his ambitions. He has long had his eye on the Elysée and his move may free him to prepare himself for the next presidential elections in 1995.

By going now, he will be absolved of any blame if the socialists do badly in the 1992 general elections. As a former minister, he has no parliamentary seat; so his only job now is that of mayor of Confians St Honorine, a dormitory town north-west of Paris. This may seem an obscure power base, but we may be sure that we have not heard the last of Mr Rocard.



Cresson: intuitive decision-maker

Old Lady's manifesto

On the face of things, there has been nothing like it since Lord Cromer was harrying the Wilson government to defeat - an incident which helped the Treasury hawks to subvert the Bank of England to their monetary policy decisions. But is the Governor really campaigning against the Government, as resentful Tory backbenchers suspect?

A good deal of evidence suggests that the Bank of England's apparent unilateral declaration of independence is intended for quite a different audience, across the Channel. The Bank clearly wants a loud voice in the future, independent of the Chancellor's but it must first kill the idea it is simply a puppet of the Treasury. That means showing that it can and does think for itself.

The Governor's speeches add up to a carefully considered manifesto about the role of monetary policy - and long passages are concerned with policy in Europe, not here. They smell of midnight oil (policy analysts claim to be able to identify the fingerprints of the learned officials who contributed various bits).

This kind of exercise takes a few weeks. It is not the way you conduct guerrilla warfare over the timing of the next interest-rate cut.

In any case, the speeches are entirely consistent with the Thatcher policy of hands-off economic management (still in place), and with the stance of the last three Chancellors on fighting inflation. Norman Lamont, as a new boy, could have a hard time in Cabinet if he could not cite the official voice of the markets in support of standing firm. That is just luck, though.

What may not be so fortuitous is the fact that the campaign coincides with the expected retirement of Karl-Otto Pöhl. With a new

hand in Frankfurt, and Germany now arrived in the problem-case ward, the European monetary leadership stakes are open, as seemed impossible not long ago. Can't leave the French unchallenged, you know.

Muted matriarch

The last time Margaret Thatcher went to southern Africa she stopped a war. With a combination of charm and the authority of office, she kept the two warring factions apart in what has since - with her help - become Namibia.

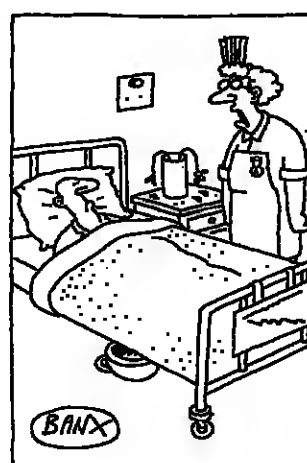
Now she is back in the region, having arrived at Cape Town yesterday with neither much authority nor charm at her disposal. To waiting journalists (busy commenting on how closely she now resembled her Spitting Image puppet) she snarled she was not going to answer questions after 14 hours in an aeroplane.

But she won't have much of a platform in South Africa for her frangible matriarch act. She is being bundled from venue to venue with minimum publicity, for fear that the African National Congress will carry out its threats to disrupt the visit. Apparently, the ANC hasn't heard that its leader Nelson Mandela is planning to accord her a private audience. Although she is the world's most consistent opponent of the ANC's sanctions strategy, he - like so many other radical black leaders in Africa - seems to hold her in the highest esteem.

Passing show

Although out-splendoured by rehearsals for Trooping the Colour, the ceremonious delivery of bids for Britain's new independent-television franchises produced a

OBSERVER



"We do have a doctor, but he's popped out to vote in the byelection."

diverting parade. TVS which may have looked the most threatened existing company - at least before yesterday's tie-up with media giant Time Warner - was first to arrive. It was on the spot a good hour before the 8 o'clock opening of the Independent Television Commission's underground garage where, with a view to easing traffic, bids had to be handed in.

At the other end of the timescale, Telewest, which is contending for the Television South West franchise got there only 10 minutes short of the deadline at noon. And Daybreak Television, the consortium led by Sir Paul Fox which is going for the breakfast franchise, scarcely lived up to its title by arriving with just 45 minutes to spare. Apart from the odd taxi and occasional Volvo, the broadcasters' favourite conveyances - or as time may well prove, tumblers - for delivering their life-or-death envelopes were BMWs, Mercedes and

Ford Granada and Scorpios. The sartorial star of the show, however, arrived on foot: TV's Bruce Gyngell, complete with redine and obligatory pink shirt.

Tongue tied

One more for the Euro-bashers. Experts from the 12 member states flew into Brussels earlier this week for a "working group" meeting on investment services which lasted all of five minutes.

The reason was not a baring of national differences on the highly sensitive legislation being negotiated in this area. Far from it.

The trouble came when the Spanish interpreters failed to turn up and the Madrid delegation (backed by a majority of others) refused to take part.

Nuclear secret

What's the link between Hanson director Christopher Harding and a Sun newspaper headline "UP AND ATOM" over a story featuring a woman in leather mini-skirt and chains?

The connection, which is entirely innocent, runs through Harding's other job as chairman of British Nuclear Fuels, at whose Sellafield factory the lady works as a guide. The newspaper alleged that, when she wasn't helping to show some 160,000 visitors a year round the works, she had been involved in the pornographic video trade.

Harding admits her activities were one nuclear secret to which he hadn't been privy. His fax had overheated with teasing inquiries from colleagues on the Hanson board, he said.

But some respite, at least, was granted him when he gave evidence to the Commons select committee on energy yesterday. "We'll keep all our questions to the business you legitimately pursue," declared committee chairman Michael Clark.

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ECONOMIC VIEWPOINT

Labour plans on 'bracket creep'

By Samuel Brittan

Should the fruits of economic growth be used for lower taxes or higher government spending? Many political economists regard this as the archetypal example of a question suitable for electoral decision.

Unfortunately, the issue is usually raised in Britain in a way that involves continually changing the goal posts, so that an increase in the tax burden counts as "no change" and "no change" counts as reducing it. Both main parties take advantage of the public confusion between the basic rate of income tax, now 25 per cent, and the tax burden which is closer to 40 per cent of gross domestic product.

The key to the debate lies in some figures frequently quoted by Labour spokesmen. These show that the proportion of GDP taken by tax has risen by 2% to 3 percentage points between 1979-79 - the last year Labour was in office - and now. If that is the best that can be done by a party under a dominant leader, committed to cutting taxes, what can we expect from a

The first catch is that if tax rates remain unchanged, the proportion of income taken in tax tends to rise

party which explicitly disavows any tax-cutting aim? That is all the busy reader need ponder.

Labour is, of course, entitled to make the case that more of the national income should be spent collectively. But it should not pretend that it can be done by fiscal black magic. I prefer the honesty of the Liberal Democrat Leader, Mr Paddy Ashdown, in saying that he would be prepared, if necessary, to raise taxes to boost the public services.

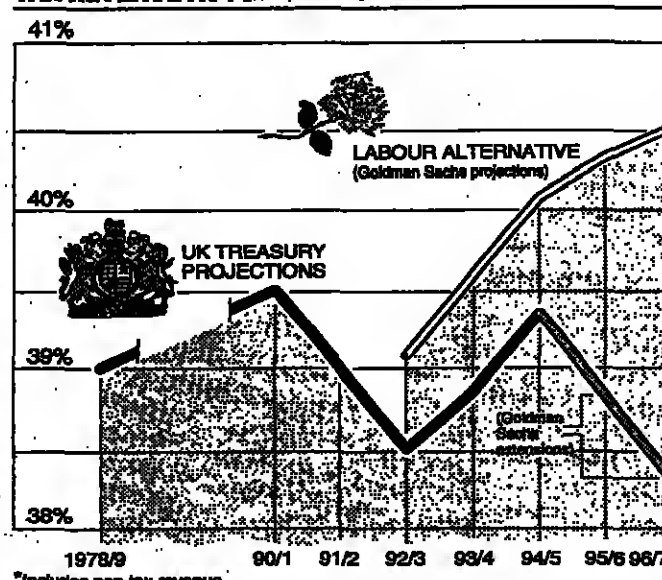
It is, of course, true that normal economic growth puts more revenue into the hands of the Exchequer. This process

used to be known as the "buoyancy of the revenue", but collectivists prefer to call it the "fiscal dividend".

Whatever it is called, the Conservatives get off on the wrong foot if they deny its existence. The 2% per cent annual growth average mentioned by the Labour leader, Mr Neil Kinnock, is actually slightly below the Treasury's estimate of trend growth for the non-North Sea economy. Would Labour really be able to find £20bn of revenue "for health and other essential services" by not reducing tax rates, as Mr Kinnock has claimed?

Two economists, Gavyn Davies and David Watson, have estimated in the Goldman Sachs Weekly Analyst that five years of normal growth will have increased government revenue by £40bn per annum in today's money, a sum higher even than Mr Kinnock's. Where is the catch? The first is that if tax rates remain unchanged, the proportion of GDP taken in tax tends to rise, a phenomenon known in the US as "bracket creep", which is more vivid than the academic-sounding "real fiscal drag". For, as real incomes rise, basic and higher income tax rates start biting at an ever lower proportion of average income. The main point is that the would-be tax cutter has to run

TAX REVENUE AS PER CENT OF GDP*



*Includes non-tax revenue

very hard to stay in the same place. The real tax burden has risen under the Conservatives because the reductions in basic rates have been offset by increases in National Insurance contributions and VAT, and because of insufficient upward adjustment of the tax starting points.

The true annual fiscal dividend by 1996-97, if the tax-burden is to remain stable, and bracket creep eliminated, is more like £20bn. Of this, some £12bn is probably committed under present intentions, to eliminating the Budget deficit once the recession is over, and most of the remainder is required for the rise in public spending that is likely under the present government, let alone any more high spending successor. It is worth going through the Goldman Sachs analysis in stages. The accompanying table examines separately the period up to 1993-94, for which the Major government has published projections, and the longer period up to 1996-97 for which Goldman Sachs have made their own extrapolations.

According to the official projections, the Tory fiscal dividend is devoted to eliminating the Budget deficit. Up to 1994-95, the present government offers only derisory so-called tax cuts, which are not enough to prevent tax revenue rising as a proportion of GDP. The share of public spending is also expected to fall back after the recession and pre-election rise of the present financial year.

How then is Labour going to finance instead an increase in the public spending share? Partly by abolishing the ceiling on employees' National Insurance contributions and raising the higher combined marginal rate to 59 per cent (the first measure good and the second bad). This should increase the tax-take by 0.6 per cent of GDP (overlooking all disincentives and tax-avoiding effects). Nearly as much again will be raised by bracket creep. But the lion's share of the revenue will be raised according to the Goldman Sachs analysts - who are as well placed as any to decipher the cryptic hints that Labour spokesmen have

Possible fiscal changes: % of GDP		
	1991-92 to 1994-95	1991-92 to 1996-97
CONSERVATIVE		
Tax-take	+0.3	-0.7
Public spending	-1.2	-2.2
Budget balance	+1.5	+1.5
LABOUR		
Tax-take	+1.1	+1.5
Public spending	+1.6	+2.0
Budget balance	-0.5	-0.5

Source: Original data from Treasury; Goldman Sachs

BOOK REVIEW

The gadfly guru's global message

THINKING ABOUT MANAGEMENT
By Theodore Levitt

Maxwell Macmillan International
Free Press, £12.95



Levitt: age of 'fast history'

given - by allowing the Budget deficit to rise to 3 per cent of GDP, instead of eliminating it, as in the Treasury's present projections. (The published increase in the Budget deficit will be higher still when Labour abandons privatisation, but we can skip this here as an accounting complication.)

It is only in the final two years, up to 1996-97, for which no official plans exist, that there may be scope for the Conservatives to reduce the basic income tax rate to 20 per cent. But even over this longer horizon "bracket creep" and Budget deficits are overwhelmingly the most important ways of financing Labour's spending plans.

More borrowing is not a costless option. Otherwise the Conservatives would also want the old fashioned objection to a Budget deficit over the economic cycle was that it would lead to increased interest rates. But that is unlikely in an integrated international financial market so long as the credibility of Britain's ERM exchange rate can be maintained. A more likely conse-

The present 40 per cent share of a growing GDP taken up by public spending should be enough if well used

quence is a reduction in Britain's domestically-owned capital stock because of the effect on savings.

The one sure consequence is that an increasing proportion of the fiscal dividend will have to be earmarked neither for tax cuts nor for public services, but for interest transfers to holders of the national debt, as the US has discovered. Goldman Sachs does indeed warn that already by 1996-97 some 50 per cent of Labour's extra spending would have to be devoted to servicing the interest on the national debt. The consequences of running a budget deficit may be more subtle compared with straightforward tax increases, but they are just as real.

In conclusion: does one have to be a fanatical individualist or blind to the existence of public goods to believe that the present 40 per cent share of GDP taken up by public spending is enough and that improvements in services should come from a better use of the existing share of a growing GDP? If one can accept this simple proposition, the whole question of financing the public sector by stealth does not arise.

To many people, Theodore Levitt has for 30 years been a stimulating but incoherent gadfly.

Leaping smartly from issue to issue, this now-grizzled Harvard Business School veteran lands just long enough to deliver a few provocative one-liners, supported by a slim body of evidence whose significance he proceeds to play for all it's worth (and more), whether on globalisation or entrepreneurship, diversification or forecasting.

One of his most (infamous) early pronouncements was that America's railways might have saved themselves from decline if they had redefined the business they were in as transportation - and, by implication, had diversified into trucking and airlines. This sort of thinking helped drive countless companies in the 1960s and 1970s to diversify in ill-judged fashion into businesses they were unable to manage.

The same school of critics would cite the even greater effect that Levitt had on western corporate strategies in the mid-1980s, as the godfather of the gospel of global products and brands. As with his advocacy of diversification, there was more than a grain of truth in Levitt's message that everything but the kitchen sink was going global. But, to their subsequent cost, many companies took it to excess by ignoring national and regional cultural preferences and purchasing patterns around the world.

To Levitt's many admirers, on the other hand, he remains the world's leading marketing scholar that he became in 1960, when his writings on "marketing myopia" exposed the inadequacy of most companies' efforts: that they preached true marketing, but actually suffered from a narrow production and sales mentality. As he implies in this book, such myopia persists remarkably widely today - which is why marketing is constantly being "rediscovered" under new labels, one of the latest being "close to the customer".

Whatever view one takes of this controversial commentator, there is no disputing that Levitt, like a lighter-weight

Peter Drucker, has a knack of both entertaining his public, and making it think.

The need for senior managers to think for themselves, rather than relying on teams of staff researchers and planners, is one of the basic themes of this collection of short essays.

Most of them are drawn from Levitt's time as editor of the Harvard Business Review's wide-ranging output, though a few are on his home ground of marketing, advertising, buying and selling.

The essays he groups under the umbrella titles of "thinking" and "changing" are the least profound, although some of them do show insight. Even in bad or changing times, he points out, managers must take the blame for poor corporate performance, because "it's management's job to manage for right results, regardless of circumstance". The need to embrace constant and rapid change through continual and open examination of every convention and practice is a recurrent theme - he talks constantly of "an age of fast history".

Yet Levitt takes strong issue with the way that fellow gurus seem to advocate entrepreneurship as the answer to every

problem; he sees this as "an escape from discipline rather than a leap into enterprise", and he tries to rehabilitate the need for large scale in many areas of business activity.

He also rams home the importance in management and leadership of vision, natural authority and innate ability. Churchill "did not rally Britain by showing people pie charts, opinion surveys, or grids of competitive analysis", Levitt points out.

Echoing what from other mouths has been used as a criticism of Harvard and other business schools, Levitt emphasises how hard it is to learn (and teach) management: managerial talent, as opposed to mere capability, cannot be learned, but only spotted, cultivated and extended, he maintains. So one of the most important tasks of the mature manager is to discover younger people with talent.

In his third section, "operating", he concentrates mainly on marketing issues, and provides lots of useful homilies on the importance of trust in advertising, on inadequate definitions of gross margin and profit, and on the remarkable role which emotion plays in purchasing decisions - even by industrial companies.

So far, so wise. Less satisfactory, even if one forgives the frustrating skimpiness of some of the material, are two shortcomings. First, Levitt's constant sniping against other gurus "simple as pie" - what about his own? And second, his occasional tendency to relay confused messages, even on very familiar territory. At one point he appears to recant his 1983 hype about the globalisation and homogenisation of everything. But a few pages later, in a separate essay, he seems to withdraw this admission.

On balance, the tolerant reader will forgive such inconsistencies and enjoy the mind which gives us such gems as "although the world is increasingly driven by high technology, it continues to be influenced and managed by high spirits". Like Levitt's own, indeed.

Christopher Lorenz

LETTERS

In defence of mining in Antarctica

From Mr Robert Davies

Sir, The logic of Greenpeace's argument for not mining in Antarctica (Letters, May 11) defeats me: Ms Vicky Lancaster says that mining is not possible without irreversible damage to the environment. While this statement is not correct, it is true that mining does affect the local area.

Presuming that Greenpeace does not wish to deny mankind all the benefits of modern technology, mining must therefore take place somewhere else. That means, since Antarctica is so barren, that far more wildlife will ultimately be disturbed by mining elsewhere, in tropical rain forest, for example.

Contrary to popular belief, mining is not a large scale activity. Australia, one of the world's leading mining countries, has less land under mining than the area of suburban Sydney. It is a moot point as to which causes more pollution.

Robert Davies
Hawthorn
7 Green Trees Avenue
Cold Norton
Essex CM3 6JA

Fax service

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How women should be helped to pursue careers

From Mrs Teresa Gorman MP

Sir, Children's ideal role which is part of almost every woman's life it is astonishing that no mention was made of it in your article on women in management ("No room for new faces at the top", May 7). If, as a country, we are serious about harnessing the undoubted talents, training and aspirations of women to hold down a career, we must accept that they will require assistance with their role as mothers and house managers.

In every other walk of life we acknowledge that an individual can be made more productive with equipment and back-up staff. But when it comes to regarding the assistance which a woman needs as

a legitimate, tax-deductible expense, the government balks in giving the lead by making these services tax-deductible.

If businesses are remiss in underestimating the cost of losing good trainees, how much greater is the loss to the country of the massive investment we make in higher education and professional training for women when we turn a deaf ear to their request to have their essential child minders, nannies or nursery providers regarded as an essential tool of their ability to play their trade.

Such purliness could not exist if we had 600 women in the Commons and 40 men. Teresa Gorman, House of Commons, SW1

A revolution in car pricing

From Mr David Franklin

Sir, The Monopolies and Mergers Commission has found (May 2) that some car prices are 50 per cent dearer in the UK than elsewhere in Europe.

In the last Budget, the chancellor finally hammered the last nail into the company car perk coffin. Many companies are now selling vehicles to their executives. When executives come to replace them, paying out of income; they will shop around on the continent for a considerably cheaper

replacement vehicle.

A revolution in long-established restrictive car pricing and distribution practices in the UK will result, paving the way for lower car prices.

This will be bad news to buyrooms in Birmingham, Luton and Dagenham but good news for the purchasing public and Mr John Major, who will delight in the resulting reduction in inflation. David Franklin, 8 Winnet Street, London SE11

Right way to support exports

From Lord Trefgarne

Sir, Ralph Atkins' article about the forthcoming Lords' Proceedings on the Export Credits Guarantee Department Bill ("Tory peers concerned over ECGD sale", May 13) suggests a cavalier approach to public expenditure on my part which is not, I hope, the case. I am sorry if I did not make myself clear when I spoke to Mr Atkins last week.

I readily agree that the cost of supporting our export trade through ECGD is very high and ought to be reduced, but the right way to do this is not by raising ECGD premiums unilaterally by 20 or 30 per cent in some markets as is currently happening, but rather by multilateral agreement with the export credit insurers in other countries. That may not be a quick or easy solution to this problem but it is the only way of ensuring that our exporters are not placed at a disadvantage as compared with their competitors in other manufacturing countries.

I support the principle of moving the Insurance Services Division of ECGD into the private sector, but on the clear understanding that all kinds of cover, including political risk cover, will remain as freely available as hitherto and at reasonable cost. Assurances by Mr Tim Seabury, trade minister, in the House of Commons, welcome though they were, did not meet these criteria. Trefgarne House of Lords, SW1

Holiday boost

From Mr R A Ledingham

Sir, You report that the economics profession is preoccupied with the questions: when will the recovery start?; how long will it last?; how long and strong will it be?

In answering these questions I hope the profession will take account of the fact that the UK is enjoying a community charge payment holiday, from April to July, following which payments will re-commence at close to 1990 levels.

This holiday will result in better retail sales and greater confidence, and can be expected to stimulate either recovery or a June/July election. R A Ledingham, Rose View, Heath, Oxon.

Directors' pay must be set by 'independent' means

From Mr Blentyn Jenkins

Sir, Your leader ("How to control pay at the top", May 10) seems to contain a number of misconceptions.

First, you refer to the role of "independent" non-executive directors as "a questionable concept in itself..." It is a fundamental principle of good corporate governance, which the Institute of Directors has advocated over a number of years, that the integrity of a board's operations is safeguarded by the appointment of a number of suitably qualified and experienced non-executive directors, who are "independent" of the company in the sense that they hold no office of profit, other than directors' fees, nor have any other financial con-

nection with the company. This view is now shared by a number of other institutions concerned with effective corporate governance.

Second, you refer to the role of non-executive directors in relation to directors' remuneration, as members of audit committees.

While the IoD is totally committed to the desirability of audit committees, I suggest that the non-executives' function in this area lies in membership of companies' remuneration committees. No individual or group of individuals should be allowed to determine his or their own salaries, and the presence of a remuneration committee of the board, having a majority of non-exec-

utive directors, is the only means of ensuring that this does not happen.

Finally, you suggest that public disquiet would be allayed if the remuneration package of each director were to be submitted to the vote of the shareholders. Shareholders already have the power to put pressure on companies by exercising, or threatening to exercise, the right of appointment and dismissal of directors, including non-executive directors.

Further legislation is not needed. Exercise of shareholder responsibility is. Blentyn Jenkins, director of corporate affairs, Institute of Directors, 116 Pall Mall, SW1

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Quality Used Car symbol, that have measured up to this daunting quality control procedure. That's why they're as superbly built and robust as they are, and why the Mercedes Quality Used Car scheme confidently backs them with at least 12 months mechanical insurance. It's also why an argument for an ordinary new car at the same price is no argument at all. Give your local dealer a call. One test drive is all you'll need.



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Moscow says economic deal close

THE SOVIET government said yesterday that it was close to an agreement with the country's 15 republics on its plans to halt plunging production levels by the end of the year, and institute a rapid move to a market economy.

Details so far available of the anti-crisis plan point to a much more radical package than previously proposed, although agreement is not yet complete.

The plan, drawn up by the prime minister of Russia, the largest republic, said yesterday's meeting of the cabinet of ministers with republican prime ministers chaired by President Mikhail Gorbachev "perceptibly advanced in reflecting the interests of the republics".

The government last night said full agreement on the anti-crisis plan might be only days away.

The cabinet was told by Mr Vladimir Shcherbakov, the Soviet deputy premier who nursed the republics through the latest series of talks, that agreement between the centre and the republics was "almost complete". It was the guarantee of its success.

The main factor of the new draft, he said, was that it was not a return to the past, but "a new approach to the economy on the whole front" - not just in separate directions as was the case in the past.

The independent news agency Interfax said the proposals raised some agreement had been reached were:

- a ban on strikes;
- emergency budgets at all levels for the second half of the year;
- a cut in imports of 10 to 15 per cent and reduced exports of

The cabinet was told by Mr Vladimir Schcherbakov, the Soviet deputy premier who nursed the republics through the latest series of talks, that agreement between the centre and the republics was "most likely" to be the "guarantee of its success."

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The independent news agency Interfax said the proposals for some agreement had been reached were:

- a ban on strikes;
- emergency budgets at all levels for the second half of the year;
- a cut in imports of 10 to 15 per cent and reduced exports of

- raw materials required for domestic production;
- a sharing among the republics of both the Soviet debt and the gold and diamond reserves;
- an agreement to allow enterprises to privatise their enterprises in the second half of the year;
- the granting of concessions to foreign companies and the creation of further free trade zones;
- a new income tax law to go before the Supreme Soviet later this month.

This progress was made possible by an agreement last month under which Mr Gorbachev, Mr Boris Yeltsin, the leader of the Russian parliament, and eight other republican leaders signed a statement committing themselves to support the central government. Since then the republican representa-

tives have consulted their governments, before returning for three days of talks to Moscow to produce the partial agreement reached yesterday.

However, a number of issues remain unresolved.

Of the 15 Soviet republics, some have not even partially agreed, and at least two, Estonia and Georgia, are unrepresented in the talks. Lithuania have sent only observers.

Mr Silayev, the Russian premier, has criticised the plan as over-bureaucratic and said it would slow the introduction of the new constitution.

The government acknowledges, meanwhile, that important issues, such as a single finance and credit system for the whole union, are not yet agreed, and that the shape of the new shape of independence to be given to union enterprises.

Yugoslavia beset by constitutional crisis

YUGOSLAVIA was plunged into a constitutional crisis yesterday after the collective presidency's failure to select Mr Stipe Mesic, a Croat, as president left the country without an effective head of state.

The crisis, which has its origin in the country's ethnic composition is also likely to spur Croatian ambitions to secede from the federation.

In what should have been a routine affair, Mr Mesic, 57, was set to assume the one-year position which rotates among the representatives from the six republics and two provinces. He needed five of the eight votes to be confirmed as president.

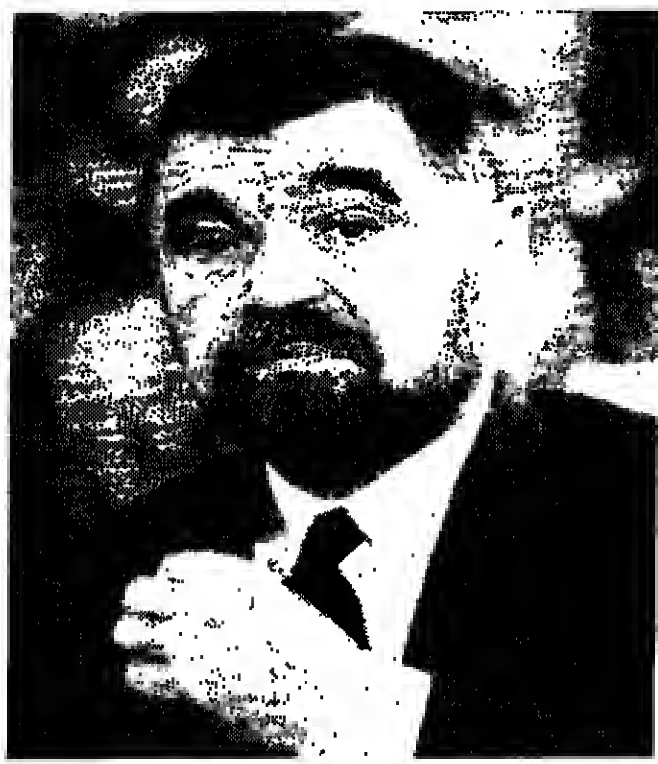
But Mr Borislav Jovic, the outgoing president who is a Serb, together with representatives from the Serbian provinces of Kosovo and Vojvodina, voted against Mr Mesic, Croatia's representative on the presidency and the country's vice-president.

Their coalition of Mr Momir Bulatovic, the republic of Montenegro's representative and Serbia's close ally, ensured his defeat.

The rejection confirms the deep divisions within the presidency.

It is split between Serbian representatives - including Kosovo, Vojvodina, Montenegro and Serbia - and the independence-minded western republics of Slovenia and Croatia, Bosnia-Herzegovina and Macedonia.

Mr Mesic, a moderate, insists



Stipe Mesic: defeat as president creates political vacuum

the Yugoslav federation of six republics must be transformed into a loose alliance of sovereign states.

However, nationalist Serbs claim Mr Mesic wants to become president in order to preside over the country's disintegration.

The latest twist in the struggle between the leaders of Croatia and Serbia appears to be an attempt by Mr Slobodan Milosevic, the communist/nationalist president of Serbia, to preserve control over the polit-

Mr Milosevic wants to retain a federation at the expense of granting more autonomy to some of the republics, which fear Serbian control over the country's political and economic life.

The presidency was last night holding an emergency session which left open the possibility of another eleven-hour peace plan.

Western diplomats in Belgrade yesterday said they might be planning to use the veto as a bargaining chip to gain the confirmation of representatives from Kosovo, Vojvodina and Montenegro to the presidency.

Croat and Slovene deputies to the federal parliament have blocked the confirmation of the three new representatives.

They would replace the members who last March resigned in protest after this split presidency failed to let them proclaim a state of emergency.

The political vacuum now heightens the risk of the army taking control, a move would be welcomed by Serbia, which has repeatedly pushed for military intervention to block Croatia's move for independence.

Last week, the presidency agreed to grant the army sweeping powers to stop ethnic clashes between Serbs and Croats in the western republic and at least 19 people were killed.

UK opens commercial television bidding

THE UK government's plans to open up the terrestrial broadcasting market to interstate competition are well advanced. The first choice reached a climax yesterday as 40 companies placed their bids for new 10 year licences.

The outcome, which in most cases will be determined by the highest cash bids, could result in the biggest shake-up in the history of British commercial television.

Some of the most famous names in British television face substantial competition in the bidding. However, with the exception of CIT, the Luxembourg broadcasting company which has the rights to the Three East, bidding for the Three licence, continental European broadcasters have stayed away from the contest.

But two large US media groups entered the breakfast bidding against a team with the US network company backing the Daybreak bid and Disney joining the Sunrise consortium.

A third US group, Time Warner, the world's largest media company, has come to the rescue of TVS Entertainment, the troubled franchise holder in the south and south-east of England.

Death of Japanese LDP leader opens a period of uncertainty

THE DEATH of Mr Shintaro Abe, one of the leaders of Japan's ruling Liberal Democratic party, shook the country's political circles yesterday.

The former foreign minister had been the head of the LDP's second largest intra-party faction and, despite his serious illness, a possible successor as prime minister to Mr Toshiki Kaifu. He was 67.

Two potential candidates for the premiership, who had been holding back out of respect for Mr Abe, are now expected to start campaigning more aggressively.

They include Mr Noboru Takeshita, the former prime minister and leader of the LDP's largest faction, and Mr Kiichi Miyazawa and Mr Masahiko Matsunaga, leaders of two smaller factions.

There is also likely to be a fierce battle for control of the Abe faction among four former ministers with competing claims to the succession.

One LDP member said yesterday that the consequence of Mr Abe's death "will be several months of turmoil before Mr Kaifu's term expired in the autumn and his successor was chosen."

The uncertainty could affect Japanese policymaking to the

extent that leading politicians will have increasingly less time for government business and for conducting outside activities as they will be embroiled in politics.

Tributes to Mr Abe came yesterday from across Japan and from overseas, including from the US State Department, which said: "We deeply regret the loss of such a great statesman."

Mr Abe was foreign minister in 1950-55, in the government of Mr Yasuhiro Nakasone.

He played a part in furthering Mr Nakasone's policy of enlarging Japan's presence in world affairs.

Mr Abe was also well-versed in Soviet affairs. His last public appearance was at a reception in Tokyo for Mr Mikhail Gorbachev, the Soviet leader's visit to Japan in April.

He made no secret of his wish to become prime minister. He was a candidate for the post in 1987, but stood aside for the more powerful Mr Takeshita.

It was widely rumoured that Mr Takeshita had agreed that Mr Abe should succeed him when his term expired in 1989. But, Mr Abe missed his chance when the Recruit scandal swept Mr Takeshita out of office.



**Shintaro Abe: premiership
always eluded him.**

Major rules out June general election in Britain

THE British government has ruled out a June general election in advance of a widely-forecast defeat by the opposition Labour Party in today's Moonmonth parliamentary by-election in Wales.

Mr John Major, the prime minister, said that backed up with a wave of new policy initiatives over the summer keep- ing open the option of an autumn election. These will centre on improving public services and boosting home- owners and entrepreneurship.

But the has told colleagues that he has no intention of calling a general election, if necessary, to delay the election until 1992 unless he is sure that he can win a comfortable majority this year.

The Hanson stake in ICI is open to two interpretations. First, the UK is facing its most dramatic takeover battle for decades: second, two elderly peers of the realm have nothing better to do than play at the stock market. The first hypothesis cannot quite be dismissed. If it came to the point, ICI might find, like BAT before it, that it has fewer friends than it thinks. Over the past decade, it has failed in its main task of freeing itself from dependence on the chemicals cycle. Nor have shareholders much grounds for loyalty on a longer view. In the past 25 years, ICI's shares have halved against the UK market. Those of Hanson have outperformed by 3,000 per cent.

The difficulties come at the practical level. Hanson could not conceivably get ICI for less

Grand Metropolitan

Share price relative to the FT-A All-Share Index

Year	Share price relative to the FT-A All-Share Index
1983	65
1984	75
1985	85
1986	95
1987	105
1988	95
1989	85
1990	90
1991	85

Source: Datastream

risen by as much for nearly as long and, there is little sign that the sequence is about to be broken. Like Tesco, Sainsbury has not yet had the full benefit from its investment in

The difficulties came at the practical level. Hanson could not conceivably get ICI for less than its own market value of about £1.5 billion. The only company with the cash of only £220m and shareholders' funds of £3.2bn, particularly since the resulting goodwill of some thing over £55m would leave Hanson with substantially negative net worth. It might make sense to pay more for ICI than ICI can itself — while selling on pharmaceuticals and perhaps agrochemicals. But the latter possibility would be more critical, since it would account for more than half of ICI's value. The whole recent history of the drug industry argues for cautious merger rather than outright purchase, which might prove rather slow for Hanson's purposes.

If pushed to it, the ICI board could doubtless follow the BATF parallel further and perform the merger itself. In that case, Hanson would take a turn on its investment, but not on its cash, and would gain publicity. After its abortive forays on Midland Bank and PowerGen, Hanson must be aware of trying its own shareholders' patience. As for ICI's share price, it has already risen by nearly a quarter in the past few months. It would be well advised to let things settle down for a while.

Grand Metropolitan

Share price relative to the FT-A All-Share Index

Source: Datastream

Shareholders in quoted TV companies always knew they were taking a straight gamble. But it is one thing not knowing whether they will be in the TV operating business, another to be in the dark on how much their board has been prepared to bid for the privilege. The market will no doubt rise to the challenge over the next few weeks, filling in the missing bits of the puzzle. As this is the time of year when the rumour, intrigue and misinformation which even in normal times is a hallmark of the television industry and one wonders whether anything approaching a fair picture is possible. Certainly the chairman of public companies faces an awkward conflict between their duty to provide investors with all material information and their obligation to the Independent Television solicitors. As if to prove that there are few certainties in this game, TVS yesterday defied those who had already written it out of the script. Landing Time Warner and Daily Mail and General Trust to pursue their own paths, the beleaguered company back in the frame. The drawback for existing shareholders, though, is that the new backers only put up the money if they win risk-free. With much money discouraged TV firms, making a win-at-all-costs bid.

After yesterday's annual results from Sainsbury, it would be churlish to question its medium-term ability to deliver the goods. The group boasts a 12-year record of dividend increases of 20 per cent or more. Earnings per share have

The full list of would-be TV moguls provides few new clues to the outcome of the licence round. Scottish, Central and Border, being unopposed, appear to be home and dry, the main question being whether they had the gall to bid the minimum £1,000. As for the rest, we will not know which companies were successful on at what price till October, though it is already clear that the bulk of the money is being bet on the lucrative south and south western franchises.

GrandMet

On the face of it, suppliers of food and drink are not expected to be vulnerable to the economic cycle. It says much for Grand Metropolitan's management, dealing with investors that yesterday's 9 per cent drop in half-year earnings left the shares close to an all-time peak against the market. But the six months to March were scarcely the best time for a company earning half its profit in dollars, and as the 12 per cent rise in the dividend suggests GrandMet is plainly confident that its profits will be strong enough for the year as a whole.

Perhaps the most significant message in yesterday's figures was the remarkable profitability increase from Pillsbury and the maintained performance from Burger King. As for the UK pub business, the turnaround which lies ahead for the industry should appear positively reassuring. GrandMet's residential habits at yesterday's 77p, the shares are on little more than a market rating, which seems amply justified.

Cresson is new French prime minister

Continued from Page 1
have more difficulty in steering government legislation through parliament than Mr Rocard, who managed to eke out the Socialist party's votes by winning support from communists, centrists, and independents.

reacted calmly to the change in prime minister, with the stock market recovering after the announcement. Brokers warned, however, that if Mr Pierre Berégovoy were to be moved from the Finance Ministry this would raise anxiety over the government's commitment to maintaining a strong

The new cabinet is expected to be named today. Mrs. Cresson will be restricted in her choice of ministers by the political need to maintain a balance between the different wings of the Socialist party and of Mr. Mitterrand's non-socialist supporters.

Mr Major's planned policy initiative will be designed to give "teeth" to his promise last week to improve public services by a Citizens' Charter. The planned policy document on the charter - along with a similar document on education and training for school-leavers - will form the core of the section of the election manifesto devoted to public services.

Other policy initiatives will foreshadow manifesto pledges to further increase home ownership through the extension of rents-into-mortgage schemes, to boost individual share ownership, and to provide further incentives for saving.

Alongside a commitment to privatise British Coal and British Rail, the extension of competitive tendering and the contracting out in central and local government departments will be designed to highlight what Mr Major regards as the sharp differences with the Labour party.

The thread running through the Conservative election manifesto will be a commitment to devolve power and responsibilities to families and individuals. Mr Major will contrast that with what he regards as the "corporatist" approach of the Labour party.

The prime minister, however, is not to be uncertain about whether to press ahead with new legislation to curb trades unions powers. Mr Michael Howard, the employment secretary, is pushing for a bill to limit the right of the TUC to determine which union should represent a group of workers.

Conservatives learn to live with poor by-election results, Page 10

If you dream about Oysters, we recommend seeing a specialist

WORLDWIDE WEATHER

Algeria	U	7	Ukraine	U	7	Denmark	U	7	Faroe	U	7	Indonesia	U	7	Norway	U	7	Sweden	U	7	Switzerland	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U	7	Ukraine	U
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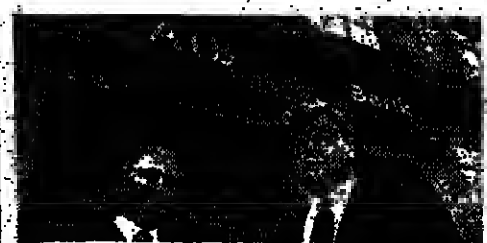
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INSIDE

AIB profits fall 25% after UK downturn



Ailed Irish Banks, the leading Irish banking group, suffered a 25 per cent fall in profits last year to £178.8m (£223m), after a downturn in its US and UK operations. Paddy Dowling (left), deputy chief executive, and Roy Douglas, general manager for AIB Britain, yesterday announced a loss of £17.7m for the UK division - the first time that the Irish bank has incurred losses in Britain. Page 27

Campbell Soup heats up

Campbell Soup, the US food group, yesterday revealed a 40 per cent improvement in third-quarter net income of \$76.4m, or 60 cents a share, compared with \$54.6m or 42 cents a year earlier. The gains stemmed from its recent restructuring and strong volume gains in soup. Sales for the New Jersey-based company were down from \$1.62bn to \$1.49bn, reflecting divested and discontinued businesses. Page 22

In search of a sea change

Falkland Islands
A debate has raged over the existence of a sea change in the Falkland Islands since the mid-1970s. But officials in the Falkland Islands are right, then the mystery could soon be solved. Indications are that London could decide in a matter of months whether to approve legislation allowing them to sell exploration licences. John Barham looks at the commercial and political implications of such a move. Page 34

Westpac turns on razzmatazz

Westpac, Australia's leading bank, is trying to polish up its image after suffering a fiscal battering from poor results and escalating bad debts. The move is but one symptom of an industry subdued by a weak economy and which is still trying to come to terms with a legacy of unwise lending to highly-leveraged entrepreneurs in the past decade. Kevin Brown reports. Page 22

Shadows over Japan

Japan's financial sector is expected today to reveal sharp profit falls as the country's reporting season gets under way. The flood gates will open with figures from the country's top stockbrokers, which are likely to report declines of 45-60 per cent. However, results from the rest of the economy will be much less grim. Stefan Wagstyl reports. Page 21

ACT bids £27m for Quotient

ACT, the UK computer services company, has made an agreed £27.4m (£47.7m) cash and shares offer for Quotient, a financial software house in which it already holds a 13.1 per cent stake. Page 26

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Chief price changes yesterday

LONDON (pence)		PARIS (FFr)	
Aluminium	780	Aluminium	1036
Asphalt	225	Asphalt	4400
Crude oil	270	Crude oil	535
Gold	380	Gold	380
Silver	100	Silver	1225
Platinum	100	Platinum	3051
Spot gold	710	Spot gold	543
COMMODITIES (pence)		COMMODITIES (pence)	
Wheat	10.5	Wheat	1170
Barley	8.4	Barley	1050
Maize	8.4	Maize	1050
Soyabean	8.4	Soyabean	1050
Wheat	8.4	Wheat	1050
Barley	8.4	Barley	1050
Maize	8.4	Maize	1050
Soyabean	8.4	Soyabean	1050
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INTERNATIONAL COMPANIES AND FINANCE

Grand Metropolitan posts first-half decline of 7.8%

By Philip Rawstone in London

GRAND METROPOLITAN, the food, drinks and retailing group, yesterday reported a 7.8 per cent decline in first-half pre-tax profits to £377m (£652.21m) from £409m.

The results, at the lower end of market forecasts, were hit by adverse dollar exchange rates and lower property profits. Currency movements reduced the pre-tax figure by £18m. Completion of the group's pub disposal programme reduced the contribution from property by £46m.

These factors - together with a delayed £20m gain from the sale of flour mills in the US which will not appear until the second half - masked a generally solid trading performance.

Local currency trading profits of IDV, the drinks division, and the North American food operations both increased by more than 20 per cent.

Trading profits at Pearle, the

US fashion spectacles chain, were down \$36m on 1990's first-half level as sales dropped 17 per cent; other retailing was in line with last year's figures.

Sir Allen Sheppard, chairman and chief executive, said that second-half performance should benefit from a stronger dollar but any improvements in the US and UK economies would probably come too late to have a significant impact.

Analysts are forecasting full year pre-tax profits of between \$950m and \$970m.

Group turnover for the first half was 11 per cent down at £4.4bn against £4.97bn, and trading profits fell 3 per cent to £478m, against £483m.

Earnings per share fell 9.4 per cent to 25.9p but the interim dividend is raised 10.5 per cent to 8.4p, from 7.6p.

Trading profits from food operations rose to £160m from £155m on turnover down to

£1.74bn from £1.86bn. In dollar terms, the trading profit of the North American food business increased by 27 per cent. In Europe, a boost to the ready meals market in eastern Germany contributed to a 2 per cent profits rise.

Growth in the group's leading spirits brands helped push drinks volumes up 2.5 per cent. Trading profits increased by 21 per cent in terms of local currencies but by only 11.4 per cent to £205m, against £184m, after translation.

Apart from Pearle, the US recession also affected Burger King where trading profit fell to £42m from £53m. In the UK, GrandMet's pubs balanced a fall in sales with improved margins and lower costs.

Group debt was unchanged at £2.9bn but gearing increased over the six months from 84 per cent to 85 per cent.

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French oil group to issue 7.5m new shares

By Our Financial Staff

ELF Aquitaine, the French state-controlled oil group, will issue 7.5m new shares as part of its project to be listed on the New York Stock Exchange.

Subject to market conditions, the subscription period will run from June 11 to June 13 in the US, France, and other European locations. The company gave no indication of how many shares would be issued in each centre.

The price of the shares will depend on market conditions and will essentially equal the average price of Elf shares on 20 consecutive days out of the 40 days preceding the issue.

Elf said that the filing for the listing is "on schedule". The company has said in the past that it expects to have its listing approved by mid-June.

The US issue will be made in

J Sainsbury profits top £500m for the first time

By John Thornhill in London

J. SAINSBURY, the UK's biggest grocery chain, yesterday showed its recession-resistant qualities by announcing a 15 per cent improvement in pre-tax profits.

Taxable profits topped £500m (£885m) for the first time, advancing from £451.4m to £518.2m as the company continued to benefit from its store development programme, tight control of costs, and increased productivity due to investment in information technology.

Stripped of a reduced contribution of £12.5m, against £30.7m, from property gains, pre-tax profits were up 20 per cent to £506.7m. This was at the lower end of institutions' expectations, and the shares slipped 6p to 384p.

During the year, the company opened 20 stores with an average sales area of 35,500 sq ft. Its capital expenditure pro-

gramme of £780m will be raised 10 per cent next year.

The company has identified sites for 150 new, and replacement stores, and aims to increase its sales area at a rate of 8 per cent a year. This year, Sainsbury's will open its first store in Scotland and its first store in north Wales.

Lord Sainsbury, chairman, disagreed with recent views about market saturation in the grocery trade. He said there was still one-third of the population without access to a local Sainsbury's store.

The company still had a "sustainable and consistent growth plan for the future," he said.

In the year to March 17, group sales rose by 13 per cent to £2.2bn from £1.96bn. The UK accounted for £7.25bn, against £5.21bn, of these sales, and the group's US supermarket chain, Shaw's, added £98.5m, com-

pared with £1.05bn.

UK supermarket sales on a like-for-like basis rose by 5 per cent. This growth was almost entirely due to price inflation, although Lord Sainsbury said the company had done well to maintain underlying sales volumes given the recessionary background and stiffening competition.

The UK operating margin improved from 7.04 to 7.67 per cent. The company said it had increased its market share by 0.8 percentage points to 12.6 per cent.

Sainsbury's chain of 61 Homebase stores lifted operating profits by 21 per cent to £13.2m.

Although Shaw's suffered from a depressed economy in New England in dollar terms, sales rose 7 per cent to £1.78bn, and operating profits edged ahead to \$55.4m.

Lex, Page 18

Zurich Insurance up 8.3% at SFr386.6m

By William Dullforce in Geneva

ZURICH Insurance, Switzerland's biggest insurance group, plans to raise its dividend by 8.3 per cent after reporting an increase of 8.3 per cent to SFr386.6m (£376m) in net consolidated earnings in 1990.

The profit advance derived entirely from non-life business. Negative developments on the capital and currency markets prevented the life insurance companies from matching the high level of earnings reached in 1989, Zurich said.

Geographically, the group is highly diversified, realising close to 80 per cent of its premium income outside Switzerland.

It is particularly strong in the US, where it conducts some 30 per cent of its business and where it paid \$740m for Maryland Casualty in 1989.

Gross premium income was up 11.1 per cent in terms of local currencies last year but, owing to the strength of the franc, premiums rose by only 0.5 per cent in Swiss franc terms.

Invested assets totalled SFr50bn at the year-end, down by some SFr700m from the level at end-1989. Consolidated equity also declined from SFr6.5bn to SFr6bn as a result of low year-end stock exchange prices and the weakness of foreign currencies against the franc.

The parent company posted a 7.3 per cent advance in net profit to SFr225.7m.

The board proposes to raise the dividend from SFr62 to SFr66 per voting share and from SFr41 to SFr43 per non-voting share, giving a total of SFr125.9m compared with SFr113.2m in 1989.

The business has a Ffr306m (£45.2m) turnover.

Unilever buys sauce unit

UNILEVER, the food and household products group said its French subsidiary Astra-Cadre is to buy Sara Lee Corp's French-based sauce business for an undisclosed sum, Reuter reports.

The business has a Ffr306m (£45.2m) turnover.

WestLB declines to DM800m

By Katharine Campbell in Frankfurt

TOTAL operating profits at Westdeutsche Landesbank, the large regional public sector bank based in Düsseldorf, fell to DM800m (£467.80m) from around DM1bn the previous year as high interest rates and an ambitious investment programme in east Germany and elsewhere took their toll.

Given the current unfavourable interest rate outlook, Mr Friedel Neuber, chief executive, forecast that operating profits would remain static for this year - although the figure in the first three months of 1991, at DM240m, represented a

14 per cent increase compared with the same period a year ago.

Administrative costs rose to DM1.66bn from DM1.43bn, while net interest income was squeezed by lower margins on new lending business and higher refinancing costs for the bank. Net interest income fell DM31m to DM1.5bn.

The high level of investment was partly directed towards the east, where the Deutsche Industrie- und Handelsbank, in which WestLB has a 60 per cent stake, now has eight branches.

Mr Neuber reported a small positive operating profit of DM7m by the end of the year, with government-guaranteed liquidity credits forming the bulk of the business.

Integrating Standard Chartered Bank's European network was completed last autumn, with the newly-formed WestLB (Europe) showing an operating profit of DM32m.

Chartered WestLB, the 50:50 joint venture with the UK merchant bank increased after-tax profits by 3.6 per cent to DM10m.



Lok Le Floch, Chairman of WestLB, said the result was "satisfactory".

the form of American depositary receipts. The new issue will add to the company's current outstanding shares, which total 245.49m.

For 1990 KfI staged a 46 per cent improvement in net profits to Ffr7.2bn (£1.23bn) on turnover of Ffr149.8bn. The result was described by chairman Mr Lok Le Floch as "satisfactory".

Club Méditerranée, the leisure group, will establish its first Australian resort on Lindeman Island, off the state of Queensland. Club Med will spend A\$50m (US\$39.00m) on the resort, which will accommodate 200 people and is due to open in September 1992.

Ahold reports a good start to the year

By Ronald van de Krol in Amsterdam

AHOLD, the leading Dutch food retailer which owns four large US supermarket chains, yesterday reported a rise in profits and sales in early 1991.

Net profit in the first 12 weeks of the year, which correspond roughly with the first quarter, showed an improvement over the same weeks of 1990.

Ahold, which gave no firm figures, also said operating results showed an increase in both the Netherlands and the US in the period.

Consolidated group sales in the first 16 weeks rose by 3.2 per cent to F15.5bn (£2.9bn), but would have been higher but for the 9 per cent decline in the dollar. Dutch sales

increased by 7.9 per cent to F13.1bn, while US sales were up 6.3 per cent at £1.4bn.

Ahold said it plans to open a "demonstration supermarket" in Czechoslovakia on June 5 as part of its efforts to persuade shops which are privatised to join the Dutch company's 51 per cent owned joint venture, Euronova.

Hoechst optimistic after 11% fall

By Andrew Fisher in Frankfurt

HOECHST, the German chemical concern, yesterday reported an 11 per cent drop in pre-tax profits during the first quarter of 1991 to DM820m (£479.50m), but expressed modest optimism that business would improve over the rest of the year.

"Our company has lost a bit of speed," said Mr Wolfgang Hilger, the chief executive. "We have had to change down to a lower gear."

Domestic business, helped by demand from east Germany, remained strong, but foreign sales, accounting for three-quarters of the total, were flat. While the result was a definite improvement on last year's poor fourth quarter, "the start

to the year cannot exactly be called brilliant."

Total pre-tax profits in 1990 were 22.5 per cent lower at DM3.2bn; net income fell by 20.4 per cent to DM1.7bn, with earnings per share of DM27 (DM30). Mr Hilger said the strength of the D-Mark, especially against the dollar and the yen, hit 1990 sales by DM2.8bn, or 6 per cent of the total.

Hoechst's group turnover last year was DM44.9bn, a 2 per cent decline. He noted that a third of turnover came from North and South America and Asia and so was exposed to shifts in dollar and yen rates.

For the rest of 1991, Mr Hilger expressed the hope that the dollar would stay around its present higher level. He expected a revival of foreign business activity in the second half.

The profits trend for the full year would be better than that of the first quarter; last year's second half was very weak, but it should not be assumed that the same period this year would show a steep decline. So far, however, there had been too few signs of a revival in the US market, despite expectations of economic recovery.

Last year, the group's Hoechst Celanese subsidiary suffered a 19 per cent operating profits drop to \$405m. Profits in Brazil and Argentina also fell steeply.

Invested assets totalled SFr50bn at the year-end, down by some SFr700m from the level at end-1989. Consolidated equity also declined from SFr6.5bn to SFr6bn as a result of low year-end stock exchange prices and the weakness of foreign currencies against the franc.

The parent company posted a 7.3 per cent advance in net profit to SFr225.7m.

The board proposes to raise the dividend from SFr62 to SFr66 per voting share and from SFr41 to SFr43 per non-voting share, giving a total of SFr125.9m compared with SFr113.2m in 1989.

Unilever buys sauce unit

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The business has a Ffr306m (£45.2m) turnover.

Preussag to lift dividend by DM1

By David Goodhart in Bonn

PREUSSAG, the German steel, trading and energy conglomerate which took over the Salzgitter steel company at the end of 1989, will probably raise its dividend by DM1 to DM9 this year thanks to continued strong growth in profits, writes David Goodhart in Bonn.

Mr Ernst Pieper, Preussag

chairman, told the annual shareholders meeting that orders received for the first six months had risen to DM14bn (£8.10bn) although price pressure in steel and dollar weakness had resulted in sales falling by 5 per cent.

Preussag is currently being challenged in the courts by the

trade union I.G. Metall over the reorganisation of its supervisory board following the takeover of Salzgitter.

The union wants to preserve in the merged company the co-determination system used in the coal and steel industry which gives workers half of the seats on the supervisory board.

This announcement appears as a matter of record only.



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£150,000,000

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National Mutual Insurance Federation
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May, 1991

INTERNATIONAL COMPANIES AND FINANCE

A mixed bag from Japanese companies

Stefan Wagstyl considers likely results as the economic slowdown takes its toll

TODAY sees the start of Japanese companies' most difficult reporting season for five years.

While a few companies have published results for the financial year to the end of March, the flood gates open today with figures from the country's top stockbrokers, Nomura Securities, Daiwa Securities, Nikko Securities and Yamaichi Securities are expected to report declines in pre-tax profits of between 45 per cent and 60 per cent.

The news from other financial groups is likely to be almost as bad, with a 30 per cent fall in pre-tax profits likely from leading commercial banks, declines of up to 40 per cent from money market firms, and losses among some small financial institutions.

But results from the rest of the economy will be much less grim. If analysts are right, NEC, a leading electronics group due to report tomorrow, will be typical of many - it is likely to report a modest sales increase, with profits unchanged from last year's record level.

Nomura Research Institute, an affiliate of the securities company, forecasts a profits decline of 8 per cent for 400 top companies, excluding financial groups it expects an increase of 1 per cent.

The results will reflect a modest slowdown in Japanese sales growth, combined with the effect of creeping inflation which has eaten away at margins. High interest rates have hurt big borrowers but

have benefited companies with cash reserves, including some of Japan's biggest companies.

The overall sales and profits figures will come as little surprise to investors, since Japanese companies routinely leak accurate estimates before the reporting date.

The figures will reflect the impact on financial companies of last year's shock in the markets. Few have escaped unscathed from the 50 per cent peak-to-trough fall in the stock market.

The recovery has still left shares over 30 per cent below their record high. The effect on banks and other lending institutions has been compounded by the rise in interest rates which has squeezed margins. In addition, lenders are facing a rising tide of financial distress among property companies hit by the collapse of a speculative boom in land.

Some companies are weathering the storm better than others: among stockbrokers, the biggest groups are likely to fare better than their smaller brethren. Pre-tax profits at Nomura, the largest house, could be down 45 per cent; those of Yamaichi, the smallest of the big four, could fall 60 per cent.

In banking, reported profits are an important measure of current performance. But investors' main concern is asset quality - how good are a bank's loans, particularly loans made to the vulnerable property market?

As for property companies, some will already be showing the impact of the collapse in

PRE-TAX PROFITS CHANGE FOR FINANCIAL YEAR (%)

	1988	1987	1986	1985	1984	1983
Top 400 Companies	4.6	17.4	22.1	3.8	-9.1	2.1
Same (ex. financial)	-9.0	13.3	27.3	9.9	0.6	1.3
Manufacturers	-23.8	28.3	38.4	11.2	1.0	-3.9
Paper and pulp	4.8	22.6	31.2	-12.4	-38.7	2.6
Chemicals	3.8	68.8	40.1	4.3	-15.8	-8.0
Steel	-	-	138.4	8.2	-18.4	-15.0
Machine tools	-41.9	2.3	71.0	35.9	13.0	2.1
Electrical, electronics	-38.6	27.6	44.7	20.2	3.4	2.4
Automobiles	-19.9	-2.4	24.3	11.5	12.7	-20.8
Construction	2.8	18.6	34.1	34.0	28.7	16.5
Financial	61.1	25.7	12.4	-9.1	-38.9	6.1

Estimated

Source: Nomura Research Institute

the land market on their profit and loss accounts.

Roman, the Osaka trading company being rescued by Sumitomo Bank, at the half-way stage wanted of a profit decline for the year, while Asahi Juken, a debt-laden apartment block developer, has said sales were running at half of last year's levels.

Even where big borrowings were accumulated by privately owned companies, listed groups will not escape the impact - a leading creditor of Nanatomi, a developer which went bankrupt earlier this year owing Y300bn, was Tobishima, one of Japan's biggest construction groups. The result may not be a large write-off - well-capitalised groups will prefer to carry unwanted land on their balance sheets until they can sell it.

Instead, the costs will show in increased interest charges. Fortunately for Tobishima and other construction groups, underlying demand remains strong, with increases in orders for public works, com-

mercial and industrial buildings outweighing a decline in housing starts.

Among manufacturers, there are large differences among levels of activity. Volcanic industries, which saw profits rise fastest in the early stages of the current economic expansion, are seeing an equally rapid decline. Wako Research Institute, an arm of Wako Securities, expects a 50 per cent fall in pre-tax profits of pulp and paper-makers. For steel companies the figure is 14 per cent and for chemicals 10 per cent.

Wako also expects car industry profits to be down by 18 per cent - following a decline in domestic demand and a sharp fall in US sales.

The results of the sector will be weighed down by losses of around Y70bn at the pre-tax level at Fuji Heavy Industries, the maker of Subaru cars. The problems will also affect Nissan Motor, which is supporting Fuji Nissan's pre-tax profits could be down by around 16

per cent.

But Mazda Motor is likely to buck the trend, helped by the success of the Miata, its new sports car. Toyota Motor will not be reporting this season since its year-end is in June.

The country's large electronics companies are expected to announce profits very similar to last year's record levels. The wind has been taken out of their sails by a weakening of domestic demand for consumer goods. The yen's rise over the past year has also undermined exports.

The surprises could come from second-tier companies with innovative products, such as Hosiden, a leading maker of liquid crystal displays, which could see profits up 20 per cent.

Among other sectors, oil and gas importers will report bumper profits, boosted by the windfall gains from the oil price rise during the Gulf crisis. Electricity and gas utilities will suffer sharp declines as they were unable to pass the rise in energy costs on to customers.

For 1991-92, most companies are expected to predict improvements in profits, including forecasts of sharp recoveries among some financial groups.

Any recovery in profits will probably be very modest if the economy continues to slow as expected. Nomura forecasts an increase of just 2 per cent. It would be little surprise to see the forecasts companies make in the next two or three weeks steadily revised downwards during the year.

Notice to the Holders of
Diasonics, Inc.

6 1/2% Convertible Subordinated Debentures Due 2001

NOTICE IS HEREBY GIVEN, pursuant to the Indenture, dated as of July 30, 1986, between Diasonics, Inc. (the "Company") and Citibank, N.A., as Trustee, relating to the Company's 6 1/2% Convertible Subordinated Debentures due 2001 (the "Debentures"), that holders of the Debentures may, at their option and in accordance with the terms of the Indenture, elect to have the Company redeem their Debentures, as a whole or in part, as described below under the heading "Exercise of Option to Elect Redemption", on July 30, 1991 (the "Redemption Date"), at a Redemption Price of 112% of the principal amount to be redeemed.

Notwithstanding the redemption of any Debenture, interest payable on July 30, 1991 will be paid in the normal manner.

Exercise of Option to Elect Redemption. For Debentures to be redeemed at the election of a holder, the Company must receive, at an appropriate office of one of the paying and conversion agents listed below, the Debentures to be redeemed (together with all appurtenant coupons maturing after the Redemption Date in the case of Bearer Debentures), accompanied by a written notice to the Company substantially in the form of the NOTICE OF REDEMPTION AT HOLDER'S OPTION on the reverse of the Debenture, on or after May 30, 1991 and until and including, but not after, the close of business June 30, 1991.

Registered Debentures may be redeemed in increments of U.S. \$1,000. Bearer Debentures may be redeemed as a whole but not in part. If any Bearer Debenture surrendered for redemption is not accompanied by all appurtenant coupons maturing after the Redemption Date, the amount of any such missing coupons will be deducted from the Redemption Price otherwise payable.

No payment with respect to any Bearer Debenture will be made at the corporate trust office of the Trustee or any other paying agency maintained by the Company in the United States or by check mailed to an address in the United States or by transfer to an account in the United States.

Exercise of the option to elect redemption is irrevocable, except as described below under the heading "Right of Conversion".

Right of Conversion. Holders of Debentures who give such notice of election of redemption will retain the right to convert such Debentures into Diasonics, Inc. Common Stock ("Common Stock"), provided that written notice substantially in the form of the CONVERSION NOTICE on the reverse of the Debenture and the holder's nontransferable receipt of deposit representing such Debentures are delivered to the paying and conversion agent holding such Debentures at or prior to the close of business on July 30, 1991, and the requirements of the Indenture relating to conversion are met. In the event such Debentures are converted on (but not prior to) July 30, 1991, the holder will be entitled to receive the interest payable on such Debenture on such date.

The Debentures may be converted into shares of Common Stock at the Conversion Price of U.S. \$4 5/8 aggregate principal amount of Debentures for each share of Common Stock. The closing price of the Common Stock on the American Stock Exchange on May 2, 1991 was U.S. \$4 1/4 per share.

Paying and Conversion Agents. The paying and conversion agents to which Bearer Debentures may be surrendered for redemption or conversion should be directed to an appropriate agent.

Bearer Debentures:

Citibank, N.A.
Avenue de Tervuren, 248
B-1150 Brussels, Belgium

Citibank Investment Bank
(Luxembourg) S.A.
18 Avenue Marie Theres
Grand Duchy of Luxembourg

May 10, 1991

Citibank, N.A.
Citibank House, 336 Strand
London WC2R 1HS, England

Citibank Investment Bank
(Switzerland) Ltd.
Bahnhofstrasse 53
8001 Zurich, Switzerland

May 10, 1991

Registered Debentures:

Citibank, N.A.
Corporate Trust Services
111 Wall Street, 5th Floor
New York, NY 10043
United States ("Trustee")

May 10, 1991

Diasonics, Inc.

Withholding of 20% of gross redemption proceeds of any redemption payment made on Registered Debentures may be required by the Interest and Dividend Tax Compliance Act of 1983 unless the paying agent has the correct taxpayer identification number (social security or employee identification number) of or an exemption certificate from the payee. If you surrender Registered Debentures for payment, please furnish a properly completed Form W-9 or exemption certificate or equivalent.

Debts of Y570bn force Asahi Juken to seek rescue

By Stefan Wagstyl and Emiko Terazono in Tokyo

ASAHI Juken, a Japanese condominium developer, has become the latest casualty of the collapse of the speculative boom in Japanese land prices.

The company, with debts of Y570bn (\$4.16bn), confirmed yesterday it had been forced to turn to its creditors for a rescue. The bail-out will be led by Citibank, the trading company, and include financial institutions, including the Industrial Bank of Japan.

The rescue shows how high interest rates and falling property prices are squeezing heavily-borrowed developers and their creditors, that even though the worst of the crisis in the Japanese property market is by no means over, banks

and other lenders seem to be able to cope.

The Bank of Japan said yesterday: "We already know all the names of companies which are likely to be in trouble. There have so far been no chain reactions (of bankruptcies)."

Japanese banks seem to be drawing a line around the level of Y500bn. Troubled borrowers with property-related debts above this figure have so far been rescued - including Roman, the trading company being supported by Sumitomo Bank, Shinwa, the privately-owned international developer, and IIE International, another large international property investor.

However, companies with debts

below Y500bn are finding it more difficult to secure support. They include Nanatomi, a developer which went bankrupt earlier this year, owing Y300bn, the biggest failure so far among property companies.

Like other troubled property companies, Asahi intends to start a debt-reduction plan with the support of its creditors. It wants to sell properties worth Y100bn to Y200bn. Its success will depend on the course of interest rates and property prices, since hurried fire-sales will only depress the market.

Osaka-based Asahi Juken had expanded aggressively in the condominium market becoming Japan's second largest apartment developer, but was hit by

the increase in interest rates, declining sales and growing inventories.

Citibank is leading the rescue because of its deep financial involvement in Asahi's business; it lent Y50bn to Asahi to fund development costs and took a commission when homes were sold to the public.

As the initial measure of support, Citibank will increase the amount of advanced credit covering payments on construction projects. Four banks - the Industrial Bank of Japan, the Long Term Credit Bank, Mizuho Tokyo Kobe Bank, Nippon Credit Bank - and five non-bank institutions will each provide Y3bn in loans for a total of Y27bn to finance Asahi Juken's operating costs.

SA Breweries 21% up at R1.6bn

By Philip Gawth

SOUTH AFRICAN Breweries, the country's largest beer and consumer products group, reaffirmed its status as a premier blue chip stock with earnings outstripping the market in the year to March despite the economy declining throughout the period.

Turnover rose 16 per cent to R15.4bn (\$5.50bn) from R13.2bn, with operating profit 21 per cent higher at R1.6bn. Mr Meyer Kahn, executive chairman, said this reflected improved use of resources, more efficient operations and a focus on appropriate trading margins.

Mr Kahn said the group's performance had been "most satisfactory" considering the "devastating effect" social and political upheaval and a

depressed economy were having on consumers.

SAB, whose main subsidiaries include the OK Bazaars supermarket chain and the Edgars fashion and clothing group, attributed much of its success to its considerable penetration into the growing black urban market.

The beer division, which contributed 57 per cent of group profits, increased volumes by 12 per cent and its contribution to group earnings by 26 per cent.

Mr Kahn said restrictive fiscal and economic policies continued to dampen consumer spending. This, and political unrest and violence, will inevitably restrain the rate of earnings growth, but Mr Kahn said the group was still aiming for

real growth in the year ahead.

Earnings per share rose 18 per cent to 265 cents and the dividend was 17 per cent higher at 118 cents a share.

The Premier Group, South Africa's largest food manufacturer, reported improved results in the year to March. Turnover rose 17 per cent to R5.1bn, with attributable earnings 26 per cent higher at R153.6m. The dividend of 70 cents per share represented an increase of 16.7 per cent.

Agreement in principle was reached at the end of April whereby Premier will acquire control of Metro Group and Score Food Holdings, which are to merge. This will make Premier one of the country's largest wholesale food distributors.



Nacional Financiera, S.N.C.

(A National Credit Institution and Development Bank of the United Mexican States) acting through its Grand Cayman Branch

U.S. \$125,000,000

10 per cent. Notes due 1996

J.P. Morgan Securities Ltd.

NAFINSA

Dresdner Bank

Aktienbank

Bankers Trust International Limited

Chase Investment Bank

Salomon Brothers International Limited

UBS Phillips & Drew Securities Limited

Bear, Stearns International Limited

Lehman Brothers International

Banque Bruxelles Lambert S.A.

Samuel Montagu & Co. Limited

Santander Investment Bank

Yamaichi International (Europe) Limited

These securities have not been registered under the Securities Act of 1933 and are subject to U.S. tax law requirements. Accordingly, subject to certain exceptions, these securities may not be offered, sold or delivered in the United States or to U.S. persons and this notice is not an offer of the securities. This announcement appears as a matter of record only.

May 1991.

FRANKFURT. THE NATURAL CHOICE IN EUROPE

When it comes to international finance, Frankfurt is the natural choice. It is the center of the D-Mark bloc and focal point for financial transactions with Eastern Europe. Germany's financial capital offers a large banking community, one of the world's prominent stock markets, efficient communications and transportation, motivated human resources, and extensive cultural and leisure facilities. Everything an international financial center must have.

DAIMLERBENZ

We hereby invite our shareholders to the 95th Shareholders' Meeting which will be held on Wednesday, June 26, 1991 at 10.00 a.m. in the Hanns-Martin-Schleyer-Halle in Stuttgart-Bad Cannstatt.

Agenda

1. Presentation of the audited financial statements, the consolidated financial statements and the combined business review for Daimler-Benz Aktiengesellschaft and the Daimler-Benz group for the 1990 financial year, together with the Report of the Supervisory Board.
2. Resolution concerning the distribution of unappropriated profit.
3. Formal approval of the Board of Management's actions.
4. Formal approval of the Supervisory Board's actions.
5. Election of auditors for the 1991 financial year.
6. Election to fill Supervisory Board vacancy.
7. Resolution on approval by the Shareholders' Meeting for an amendment to a control and profit transfer agreement.
8. Resolution on authorization for a capital increase and modification of the Articles of Association.
9. Special resolution of the holders of ordinary shares on authorization for a capital increase and modification of the Articles of Association.
10. Special resolution of the holders of preference shares on authorization for a capital increase and modification of the Articles of Association.

Entitlement to attend the Annual General Meeting and to exercise voting rights is restricted to shareholders who in accordance with the Articles of Association deposit their shares or the certificates of deposit of their shares at the latest by Wednesday, June 19, 1991 at the depository below or with the company or with a German notary or a bank for central depository of securities and leave them there until the end of the Annual General Meeting.

The depository in the United Kingdom is Deutsche Bank AG, London Branch.

Shares can also be deposited properly if with the consent of a depository they are blocked for its account by a bank until the end of the Annual General Meeting.

A copy of the 1990 Annual Report as well as admission cards for the Annual General Meeting can be obtained from Deutsche Bank AG, London Branch, 6 Bishopsgate, London EC2P 2AT.

Stuttgart-Möhringen, May 16, 1991

Daimler-Benz Aktiengesellschaft
The Board of Management

LAFARGE COPPEE

A French Limited Company with an Authorized Capital of FF 1,338,380,075
Head Office 23 rue de la République, Paris 16 75016 PARIS 16 542 105 572
SIRET 542 105 572 00011

TO HOLDERS OF CONVERTIBLE BONDS
6 1/8% 1988/1997

NOTICE OF MEETING

SECOND CONVOCATION

NOTICE IS HEREBY GIVEN to holders of convertible bonds 6 1/8% 1988/1997 of FF 10,000 nominal each that as the required quorum was not present at the Ordinary Meeting of the General Assembly held, following the First Convocation, on the 13 May 1991, no action could validly be taken, and that consequently the meeting has been reconvened for Thursday, 23 May 1991 at 9 a.m. at the offices of CREDIT COMMERCIAL DE FRANCE, 144 avenue des Champs-Élysées, PARIS 8, France for the same purposes, which are as follows:

- the issue of the capital stock with abolition of the preferential subscription right of the shareholders
- the issue of the capital stock with issue of investment certificates with abolition of the preferential subscription right of the shareholders
- the issue of bonds convertible into shares with abolition of the preferential subscription right of the shareholders
- the issue of bonds with share application forms with abolition of the preferential subscription right of the shareholders
- the issue of share application forms with abolition of the preferential subscription right of the shareholders
- the issue of combined stocks and shares with abolition of the preferential subscription right of the shareholders

Any bondholder, regardless of the number of bonds which he holds, may attend and vote at the meeting or may appoint a proxy to legally represent him and vote on his behalf.

However, only bondholders who have deposited their bonds five days at least before the meeting, at either the Head Office of the Company, 23 rue de la République, Paris 16, or CREDIT COMMERCIAL DE FRANCE, 144 avenue des Champs-Élysées, Paris 8, or one of the following banks:

- KREDBANK S.A. - 7 rue d'Amberg - 6 1000 BRUXELLES

- KREDBANK S.A. LUXEMBOURG - 43 boulevard Royal L-2251 LUXEMBOURG

- DO BANK - Deutsche Genossenschaftsbank - Wismarstrasse 10 - 6000 FRANKFURT

- KLEINWORTER BANKING LIMITED - 20 Park Street - LONDON EC2P 3DE

- SWISS BANK CORPORATION - Ankerstrasse 4 BALE

may attend the meeting or appoint a proxy to attend for them. They will be issued with the necessary admission card and proxy form.

As part of the resolution as well as all the documents which will be submitted to this meeting will be held as required by law, at the Head Office of the Company at the disposal of the bondholders.

Notwithstanding of the above and previous convocations for the meeting of 13 May 1991 will remain valid for the meeting of 23 May 1991 unless avoided.

BOARD OF DIRECTORS

ANZ Grindlays Trust (Jersey) Limited and

OLEC TRUSTEE LIMITED

have merged to form one of Jersey's leading specialist trust companies:

ANZ Grindlays Trust Corporation (Jersey) Limited

This new substantial Jersey based trust company has over 75 staff who provide a comprehensive range of specialist trust and offshore company administration services.

For further information on the services provided please contact the Managing Director, Ben Bendelow at ANZ Grindlays Trust Corporation (Jersey) Limited, P.O. Box 766, St Helier, Jersey, Channel Islands JE4 8ZZ, British Isles.

British Isles International
Tel: 0534 35100 Tel: +44 534 35100
Fax: 0534 37600 Fax: +44 534 37600
Telex: 4192221 Telex: 4192221

ANZ Group
Private BankingCentral International Limited
U.S. \$150,000,000
Floating Rate Notes due 2000

For the six months 15th May, 1991 to 15th November, 1991 the Notes will carry an interest rate of 6.375% per annum. Interest payable on the relevant interest payment date 14 November, 1991 will be Yen 497,340 per Yen 10,000,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

Midland Bank plc
Subordinated Floating Rate Notes 2001

For the three months from May 15, 1991 to August 15, 1991, the Notes will carry an interest rate of 11.7875% p.a. On August 15, 1991 interest of £146.55 will be due per £50,000 Note and £146.55 in respect of £50,000 Note for Coupon 21.

Citibank, N.A. (CSSI Dept.), Agent Bank

Taiyo Kobe Finance Hongkong Limited
U.S. \$100,000,000
Guaranteed Floating Rate Notes due 1997

Guaranteed as to payment of principal and interest by The Mitsui Taiyo Kobe Bank, Limited

For the three month period 15th May, 1991 to 15th August, 1991 the Notes will carry an interest rate of 6 3/4% per annum with a coupon amount of U.S. \$161.32 per U.S. \$100,000 Note and U.S. \$4,032.99 per U.S. \$250,000 Note, payable on 15th August, 1991.

Bankers Trust Company, London Agent Bank

The Chase Manhattan Corporation
U.S. \$250,000,000
Floating Rate Subordinated Notes due 2000

For the three months 15th May, 1991 to 15th August, 1991 the Notes will carry an interest rate of 6 3/4% per annum with a coupon amount of U.S. \$156.33 per U.S. \$100,000 principal amount, payable on 15th August, 1991.

Bankers Trust Company, London Agent Bank

INTERNATIONAL COMPANIES AND FINANCE

Compaq earnings forecast drives shares down 25%

By Louise Kehoe in San Francisco

COMPAQ Computer's stock price plummeted 25 per cent yesterday when the personal computer manufacturer announced it expected a severe drop in revenues and earnings in the current second fiscal quarter.

Revenues for the quarter are likely to be more than 15 per cent below second-quarter 1990 revenues of \$622m, the company said.

The revenue decline, along with the continued impact of the strong US dollar on foreign earnings, are expected to reduce quarterly earnings to less than 25 cents per share, far below the earnings of \$1.18 per share in the same period last year.

Compaq's anticipated decline reflects industry-wide problems that are expected to affect other US personal computer makers. Compaq's share price dropped yesterday from \$49 1/4

to \$36 1/4 at midday. Apple Computer and International Business Machines also declined.

Foreign earnings and revenues are being hit by the strengthening of the US dollar. The personal computer market remains soft in the US, Compaq said.

The company said the short-term outlook had been seriously affected by a wave of consolidations among third party computer dealers, through whom it distributes its products.

Mr Rod Canon, Compaq president and chief executive, said key dealers had told them excess inventories were building up as a result of these consolidations and mergers.

In recent months, several large US computer retail chains have merged. The largest was the recent acquisition of Nynex Business Centers by Computerland. In addition,

GM sees upturn in depressed US sales

By Martin Dickson in New York

GENERAL Motors, America's largest automotive group, yesterday said it expected to see depressed US sales start to recover in the third quarter of this year, with a "major uptick" by the fourth quarter.

Mr Lloyd Reuss, president, said he saw sales remaining fairly flat for the remainder of the second quarter.

The US recession has sharply reduced car sales at a time when the industry is suffering from over-capacity. All of Detroit's "Big Three" manufacturers reported heavy first-quarter losses.

Economists have been looking for an upturn in motor sales as a sign that consumers are making the economy out of recession. However, figures on Tuesday for sales in the first 10 days of May gave little ground for optimism.

Domestically-made cars sold at a seasonally-adjusted annual rate of 5.3m vehicles, slightly up from 5.2m units in late April, but well below the 6.4m sold a year ago.

General Motors' total vehicle sales were down 20.9 per cent; Chrysler was down 28.7 per cent; and Ford fell 14.3 per cent. Sales by most Japanese manufacturers were also down.

Mr Reuss said GM was well placed to benefit from an increase in sales because of new model introductions. It expected to pick up some market share.

Earlier this week, the company announced plans to bolster its cash reserves with an issue of special convertible preference stock which could raise up to \$600m. It would be its first stock issue since 1987.

Campbell Soup advances 40% on strong sales

CAMPBELL Soup, the big US food group, yesterday turned in a 40 per cent improvement in third-quarter net income. The advance reflects the success of its restructuring as well as strong volume gains in soup, writes Karen Zagor.

In the three months ended April 28, net income was \$76.4m, or 60 cents a share, against \$54.8m, or 42 cents, a year earlier. Although sales were down to \$1.48bn from \$1.52bn, Campbell said the real difference was a 3 per cent increase, excluding divested and discontinued businesses. Selling, general and administrative expenses rose only 2 per cent to \$364.2m in the quarter.

Mr David Johnson, chief executive, said: "Our earnings growth was driven by strong performance from the US soup sector and the broad impact of earlier restructuring decisions."

Corporation, its finance arm. ANZ is expected to more than double debt charges, from A\$225m to around A\$465m, and net profits are forecast at between A\$104m and A\$140m, compared with A\$310m last year.

The forecast results follow a fall in net profits at all three banks last year. Westpac was down 39 per cent to A\$466m, NAB down 0.1 per cent to A\$801m, and ANZ down 43 per cent to A\$412m.

The government and the banks continue to hope for a recovery in the economy during the second half of the year. However, even if it occurs, it is unlikely to happen in time to boost profits during the second half, which ends in September.

Further down the track, the banks may also have to face up to the implications of the crash of Mr John Spalvin's Adelaide Steamship group, which owes more than A\$60m to an international group of banks, including all the big Australian banks.

The day of reckoning has been put off by a debt moratorium until the end of December, to give the group time to negotiate an orderly disposal of its assets. Analysts say, however, that the banks may have to write off much of the debt if the reconstruction fails.

Meanwhile, Westpac's publicity campaign looks like the first shot in an attempt by the banks to improve their image, which Mr John Phillips, deputy governor of the Reserve Bank of Australia, recently suggested was at its lowest ebb since the 1930s.

Net profits are forecast at A\$310m to A\$370m, against A\$440m for the comparable period last year, partly because of a reduction in the contribution from the bank's European subsidiaries - Northern, Clydesdale and Yorkshire in the UK, and National Irish Bank in Ireland.

The worst hit bank, however, is likely to be ANZ, which has the greatest exposure to the state of Victoria - the most economically depressed of the Australian states - and also has problems at Esanda

The Governor and Company of the BANK OF SCOTLAND

(Continued by Act of the Scots Parliament in 1695)

U.S. \$250,000,000

Undated Floating Rate Primary Capital Notes

Notice is hereby given that the Rate of Interest has been fixed at 6.375% p.a. and that the interest payable on the relevant interest payment date, November 18, 1991 against Coupon No. 12 in respect of U.S. \$10,000 nominal of the Notes will be U.S. \$329.38 and in respect of U.S. \$250,000 nominal of the Notes will be U.S. \$8,234.38.

May 14, 1991, London
By Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

Trinkaus & Burkhardt. Creative capital at work.

The sum total of our work.

For the Trinkaus & Burkhardt Group, 1990 was a successful business year. Progress was made in every area. On 1 February 1991, a new branch was opened in Berlin. With this step Trinkaus & Burkhardt entered the new enlarged market including the East German Länder. This expansion of our business activities was also reflected in an increase in personnel by 7.7% to 979 employees.

At the end of the year, the reported capital resources totalled DM 428m compared to DM 334.5m at the end of 1989. They accounted for 5.1% of total assets of the Group and 6.7% of total assets of the parent company.

The Group's operating profit in 1990 exceeded substantially the level of the preceding year. The parent company and our Luxembourg subsidiary achieved marked increases. The considerable rise in administrative

Group Financial Statement 1990

Selected data	In DMm	Change from prev. year
Total volume	10,205	+ 11.8%
Total assets	8,437	+ 12.3%
Loan volume	5,779	+ 4.4%
Securities portfolio	1,284	+ 24.7%
Capital	428	+ 28.0%
Interest income	142	+ 42.6%
Commission income	118	- 9.3%
Partial operating profit	81	+ 7.9%
Net profit for the year	35	+ 2.0%

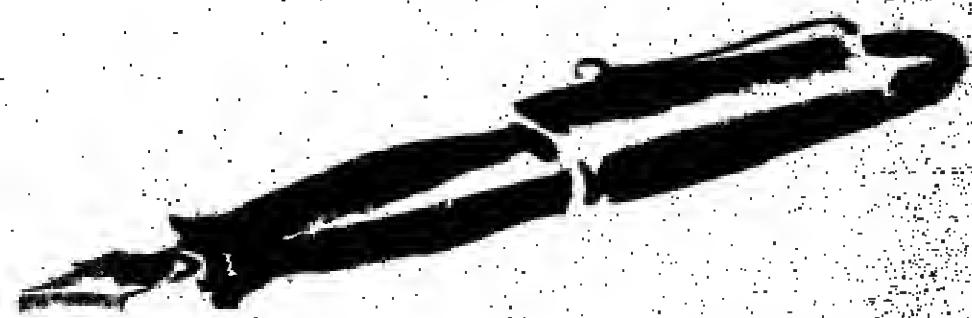
costs and the decline in commission income was more than compensated by higher interest income and improved own-account trading. For the business year 1990, the Trinkaus & Burkhardt Group reported a net profit of DM 35.3m, the parent company of DM 27.9m. DM 9m is to be allocated to the reserves of the parent. DM 7m has been retained by the subsidiaries. Trinkaus & Burkhardt KGaA plans to pay out DM 18.9m in dividends to the shareholders compared to DM 18.0m last year.

Backed by the strong motivation of our employees, we shall maintain and continue to develop the high level of traditional and innovative services we have developed during the past decade. We shall thereby justify the confidence of our business partners and shareholders in the future.

Trinkaus & Burkhardt Bank seit 1785



Düsseldorf, Berlin, Essen, Frankfurt/Main, Hamburg, München, Stuttgart, Luzern, Zürich und Lugano.



FINANCE

GM sees
upturn in
depressed
US salesBy Martin Schmalz
in New York

General Motors Corp. said today that it expects a significant upturn in US sales this year, despite a depressed economy. The company's US sales fell 1.5% in the first quarter of 1991, but management expects a recovery in the second and third quarters. GM's US sales are expected to reach 1.5 million units in 1991, up from 1.4 million in 1990. The company's US sales are expected to reach 1.5 million units in 1991, up from 1.4 million in 1990. The company's US sales are expected to reach 1.5 million units in 1991, up from 1.4 million in 1990.

Campbell
advances 4
on strong a

Campbell Soup Co. reported a strong first quarter, with sales up 4% from the same period last year. The company's first quarter sales were \$1.1 billion, up from \$1.05 billion in the first quarter of 1990. The company's first quarter sales were \$1.1 billion, up from \$1.05 billion in the first quarter of 1990. The company's first quarter sales were \$1.1 billion, up from \$1.05 billion in the first quarter of 1990.

SCOTLAND

Scotland's first quarter sales were \$1.1 billion, up from \$1.05 billion in the first quarter of 1990. The company's first quarter sales were \$1.1 billion, up from \$1.05 billion in the first quarter of 1990. The company's first quarter sales were \$1.1 billion, up from \$1.05 billion in the first quarter of 1990.

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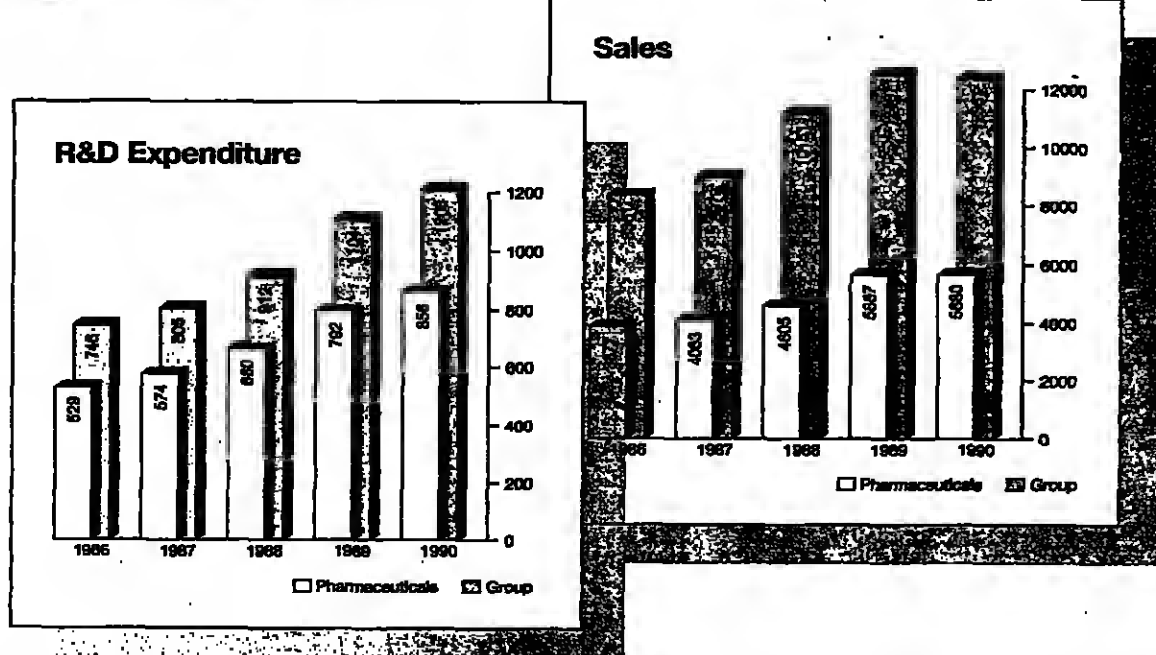
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Guaranteed by

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In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the interest period 16th May 1991 to 18th November 1991 has been fixed at 7.1375% p.a. The coupon amount payable on 18th November 1991 will be US\$ 3,687.71 per US\$ 100,000 Note.

The Yasuda Trust and Banking Company, Ltd.
London Agent Bank

DAI ICHI KANGYO AUSTRALIA LIMITED

US\$ 63,000,000

Floating/Fixed Rate Guaranteed Notes due 2000

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from the 13th May 1991 to 13th November 1991, the Notes will bear a rate of interest of 6.5175% p.a.

The interest amount payable on 13th November 1991 will be US\$ 3,280.06 per US\$ 100,000 Note.

DKB International plc
London Agent Bank

HEART LIMITED

US\$30,000,000

Secured Floating Rate Notes Due 1993

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from the 13th May 1991 to 13th November 1991, the Notes will bear a rate of interest of 6.4175% p.a.

The interest amount payable on 13th November 1991 will be US\$ 3,280.06 per US\$ 100,000 Note.

DKB International plc
London Agent Bank

INTERNATIONAL CAPITAL MARKETS

French bond prices fall on resignation of Rocard

By Sara Webb in London and Patrick Harverson in New York

THE RESIGNATION of French Prime Minister Mr Michel Rocard yesterday depressed government bond prices as soon as the bond market opened.

Early selling pressure led to the futures contract quoted on Mefix, the Paris futures exchange, falling from 106.30 to 106.10, although it later recovered. The yield spread between French and German government 10-year bonds widened from 45 basis points to 49.5 basis points during the day, as German bonds outperformed French bonds.

Despite further speculation yesterday as to whether the Bundesbank president, Mr Karl Otto Pöhl, will announce his resignation at today's press conference, German bonds gained across the yield curve.

Traders said there was some movement from shorter-dated bonds into longer maturities. The Life bond futures contract

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.200	02/92	103.16	-0.22	10.53	10.42	10.80
	8.000	03/00	102.20	+0.02	10.39	10.09	10.07
	9.000	10/06	97.12	+0.42	10.05	9.80	9.84
US TREASURY	8.000	05/01	96.07	+0.02	8.12	8.08	7.93
	8.250	05/01	97.21	-0.02	8.52	8.28	8.11
JAPAN	No 119	4.000	02/92	98.2274	+0.003	7.07	7.11
	No 122	6.400	03/00	98.5885	+0.008	6.84	6.71
GERMANY	9.000	01/01	103.4800	+0.240	6.44	6.42	6.31
FRANCE	9.000	02/96	98.8022	-0.075	9.00	8.83	9.00
STAN OAT	9.200	01/01	103.8900	+0.100	6.87	6.81	6.80
CANADA	9.750	05/01	100.7500	+0.250	6.93	6.84	6.93
NETHERLANDS	4.500	03/01	98.8900	+0.140	8.06	8.03	8.48
AUSTRALIA	13.000	07/00	113.8832	+2.244	10.59	10.94	11.02
BELGIUM	10.000	02/00	105.0000	-	9.78	9.81	8.80

London closing, New York morning session
Yields: Local market standard Prices: US, UK in %; others in decimal

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

rose to 85.13 by late afternoon due to strong buying, after its low of 84.87. Traders expect to see some selling of futures shortly as the recently issued 10-year bond has grown cheaper against the futures contract. The yield on the benchmark 2001 bond opened at 8.45 per cent and reached 8.4 per cent by late afternoon.

The Bundesbank's decision to issue new short-dated paper every other month was well received. Traders said it would help improve the liquidity of the shorter maturity bonds.

By midday, the benchmark 30-year Treasury issue was up 1/4 at 97 1/2, to yield 8.321 per cent. The two-year note was unchanged at 100 1/4, yielding 6.80 per cent.

Analysts reported that the successful liquidations of some long positions by dealers who had taken on lots of refunding securities had freed those dealers to buy bonds at the long end yesterday.

The Federal Reserve intervened in the credit market, arranging overnight system repurchase agreements in an attempt to soften a Fed funds rate driven higher by settlement pressures. The Fed's

actions helped Fed funds drop from an opening 6 1/2 per cent to 6 per cent by midday, but the rate remained stubbornly above the Fed's target of 5 1/2 per cent.

DOMESTIC buying helped lift UK government bond prices mainly at the longer end of the yield curve. The 5 per cent gilt due 2008 was up 1/4 at 91 1/2 by late afternoon. Short-dated gilts were almost unchanged.

In a market bereft of interesting economic data, rumours circulated about whether the Bank of England would issue gilts with a 10-year maturity next and whether any new names would join as gilt-edged market-makers soon. The names being tipped include Morgan Stanley, Yamaichi and Deutsche Bank. The Bank of England declined to comment on market speculation.

Germany relaunches Treasury notes

By Katharine Campbell in Frankfurt

THE German government is relaunching one of its medium-term debt instruments as part of the continuing programme to add depth and resilience to the official capital markets.

The "Bundesanleihezeitung", or Treasury notes, will be relunched next week by the Bundesbank, according to a US-style price auction at regular two-monthly intervals. They will complement the five-year Bundesobligationen, issued on a tap basis, and the longer-term 10-year bonds, placed in the international market partly via a consortium and partly by auction.

The Bundesbank, acting as Bonn's agent, yesterday announced the first action was scheduled for May 22, beginning with paper carrying a four-year maturity. The notes will be listed on the official German stock exchanges, and the Bundesbank will assume the same market-smoothing function that it does for other bond issues.

Over the past year, the German central bank has initiated important modernisations in the technicalities of the government borrowing programme, including introducing the part-auction process for 10-year paper. The measures have been given added urgency by the flood of new debt burdening the market in the course of German reunification.

Mr Karl Otto Pöhl, Bundesbank president, recently said that the previous sporadic issues of small amounts of the notes had created an illiquid secondary market. "We need an instrument that makes a name for itself among national and international investors - also by virtue of its standardisation," he said.

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FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:55 pm on May 15

U.S. DOLLAR STRAIGHTS	Issued	Cap.	Offr.	Chg.	Yld.	STREET STRAIGHTS	Issued	Cap.	Offr.	Chg.	Yld.
ARBEY NATIONAL 8 7/8 95	100	100	100	0	7.71	DAVIDSON VENTURE INT'L 7 1/4 91	100	100	100	0	7.54
ALBERTA PROVINCIAL 9 3/4 95	100	100	100	0	8.34	KRENTZ CORP 7 3/4 91	100	100	100	0	6.70
AUSTRIA 10 1/2 95	100	100	100	0	8.28	WORLD BANK 6 1/2 91	100	100	100	0	6.75
BANK OF MONTREAL 9 3/8 95	100	100	100	0	8.42	ARAB BANK 6 1/4 91	100	100	100	0	6.75
BELGIUM 10 1/2 95	100	100	100	0	8.28	WORLD BANK 6 1/2 91	100	100	100	0	6.75
BEL 7 3/4 91	100	100	100	0	8.19	ALBERTA PROVINCIAL 9 3/4 95	100	100	100	0	8.34
BEL 8 1/2 91	100	100	100	0	8.28	BEL 8 1/2 91	100	100	100	0	8.28
BEL 9 1/2 91	100	100	100	0	8.34	BEL 9 1/2 91	100	100	100	0	8.34
BEL 10 1/2 91	100	100	100	0	8.42	BEL 10 1/2 91	100	100	100	0	8.42
BEL 11 1/2 91	100	100	100	0	8.50	BEL 11 1/2 91	100	100	100	0	8.50
BEL 12 1/2 91	100	100	100	0	8.58	BEL 12 1/2 91	100	100	100	0	8.58
BEL 13 1/2 91	100	100	100	0	8.66	BEL 13 1/2 91	100	100	100	0	8.66
BEL 14 1/2 91	100	100	100	0	8.74	BEL 14 1/2 91	100	100	100	0	8.74
BEL 15 1/2 91	100	100	100	0	8.82	BEL 15 1/2 91	100	100	100	0	8.82
BEL 16 1/2 91	100	100	100	0	8.90	BEL 16 1/2 91	100	100	100	0	8.90
BEL 17 1/2 91	100	100	100	0	8.98	BEL 17 1/2 91	100	100	100	0	8.98
BEL 18 1/2 91	100	100	100	0	9.06	BEL 18 1/2 91	100	100	100	0	9.06
BEL 19 1/2 91	100	100	100	0	9.14	BEL 19 1/2 91	100	100	100	0	9.14
BEL 20 1/2 91	100	100	100	0	9.22	BEL 20 1/2 91	100	100	100	0	9.22
BEL 21 1/2 91	100	100	100	0	9.30	BEL 21 1/2 91	100	100	100	0	9.30
BEL 22 1/2 91	100	100	100	0	9.38	BEL 22 1/2 91	100	100	100	0	9.38
BEL 23 1/2 91	100	100	100	0	9.46	BEL 23 1/2 91	100	100	100	0	9.46
BEL 24 1/2 91	100	100	100	0	9.54	BEL 24 1/2 91	100	100	100	0	9.54
BEL 25 1/2 91	100	100	100	0	9.62	BEL 25 1/2 91	100	100	100	0	9.62
BEL 26 1/2 91	100	100	100	0	9.70	BEL 26 1/2 91	100	100	100	0	9.70
BEL 27 1/2 91	100	100	100	0	9.78	BEL 27 1/2 91	100	100	100	0	9.78
BEL 28 1/2 91	100	100	100	0	9.86	BEL 28 1/2 91	100	100	100	0	9.86
BEL 29 1/2 91	100	100	100	0	9.94	BEL 29 1/2 91	100	100	100	0	9.94
BEL 30 1/2 91	100	100	100	0	10.02	BEL 30 1/2 91	100	100	100	0	10.02
BEL 31 1/2 91	100	100	100	0	10.10	BEL 31 1/2 91	100	100	100	0	10.10
BEL 32 1/2 91	100	100	100	0	10.18	BEL 32 1/2 91	100	100	100	0	10.18
BEL 33 1/2 91	100	100	100	0	10.26	BEL 33 1/2 91	100	100	100	0	10.26
BEL 34 1/2 91	100	100	100	0	10.34	BEL 34 1/2 91	100	100	100	0	10.34
BEL 35 1/2 91	100	100	100	0	10.42	BEL 35 1/2 91	100	100	100	0	10.42
BEL 36 1/2 91	100	100	100	0	10.50	BEL 36 1/2 91	100	100	100	0	10.50
BEL 37 1/2 91	100	100	100	0	10.58	BEL 37 1/2 91	100	100	100	0	10.58
BEL 38 1/2 91	100	100	100	0	10.66	BEL 38 1/2 91	100	100	100	0	10.66
BEL 39 1/2 91	100	100	100	0	10.74	BEL 39 1/2 91	100	100	100	0	10.74
BEL 40 1/2 91	100	100	100	0	10.82	BEL 40 1/2 91	100	100	100	0	10.82
BEL 41 1/2 91	100	100	100	0	10.90	BEL 41 1/2 91	100	100	100	0	10.90
BEL 42 1/2 91	100	100	100	0	10.98	BEL 42 1/2 91	100	100	100	0	10.98
BEL 43 1/2 91	100	100	100	0	11.06	BEL 43 1/2 91	100	100	100	0	11.06
BEL 44 1/2 91	100	100	100	0	11.14	BEL 44 1/2 91	100	100	100	0	11.14
BEL 45 1/2 91	100	100	100	0	11.22	BEL 45 1/2 91	100	100	100	0	11.22
BEL 46 1/2 91	100	100	100	0	11.30	BEL 46 1/2 91	100	100	100	0	11.30
BEL 47 1/2 91	100	100	100	0	11.38	BEL 47 1/2 91	100	100	100	0	11.38
BEL 48 1/2 91	100	100	100	0	11.46	BEL 48 1/2 91	100	100	100	0	11.46
BEL 49 1/2 91	100	100	100	0	11.54	BEL 49 1/2 91	100	100	100	0	11.54
BEL 50 1/2 91	100	100	100	0	11.62	BEL 50 1/2 91	100	100	100	0	11.62
BEL 51 1/2 91	100	100	100	0	11.70	BEL 51 1/2 91	100	100	100	0	11

INTERNATIONAL CAPITAL MARKETS

Further deals launched in Canadian dollar sector

By Simon London in London

BONDS valued at more than \$1.5bn were launched in the currency sector of the international market yesterday, bringing to \$6.3bn the new paper issued in the first three days of this week.

The Canadian dollar sector continued to be active, despite worries about over-supply, with three more deals launched yesterday. Issuance of Canadian dollar bonds so far this quarter stands at US\$3.7bn. Already this year, total issuance has outstripped the \$5.2bn equivalent issued in 1990.

Two longer-dated issues yesterday from Credit National and Tokyo Electric Power vied for the attention of institutional investors. Credit National offered a seven-year paper with a coupon of 10% per cent, priced by lead manager Bankers Trust to yield 61 basis points over the Canadian government bond yield curve.

Tepeco came with a 10-year issue, lead managed by Wood Gundy, offering 10% per cent paper priced at 60 basis points over the 10-year benchmark government bond.

Both deals were well received, although paper from recent issues remains in the hands of underwriters.

While some institutional

buying is driven by redemptions of outstanding bonds, investors are also building exposure to Canadian dollar bonds. Anecdotal evidence suggests this stock building is at the expense of US dollar assets.

However, demand for Euro-dollar paper remains strong, although swap arbitrage opportunities are few for borrowers.

Buyers appear to be switch-

ing to longer maturities on the assumption that US interest rates will not fall much further. Following a seven-year issue by Credit National on Monday, Export-Import Bank of Japan offered \$350m 10-year bonds in a deal lead managed by LTCB.

The paper carries a coupon of 8% per cent and was re-offered to investors at a fixed price of 99.86, where the yield is 47 basis points over US government bonds.

The appetite of Swiss investors for a play on their domestic equity market was tapped by Nestlé, which offered \$200m seven-year warrants bonds via UBS Phillips & Drew.

Last month, Roche, the Swiss pharmaceutical group, launched a \$1bn bond issue with novel "bull spread" warrants attached. However, the Roche issue was made specifically to fund the acquisition of Genentech of the US, while Nestlé is a more regular issuer of warrant bonds and opted for a conventional structure.

The Nestlé bonds carry a coupon of 5% per cent and come with 90 warrants attached. A package of 90 warrants gives the right to subscribe for one Roche share at SF\$200, a premium of 9 per cent to the closing share price on Tuesday. The lead manager said around 40 per cent of the issue had been placed in Switzerland.

Woolwich Building Society, which re-opened the sterling floating rate note market with an issue in April, made its second FRN issue of the year. The five-year notes pay a margin of 16 basis points over the three-month London interbank offered rate. Lead managed by Deutsche Bank Capital Markets, the deal was re-offered to investors at the fixed price of 99.69, where the discount margin is 23 basis points, close to the level of the earlier three-year issue.

First City defaults on \$97m worth of bonds

By Bernard Simon in Toronto

FIRST City Industries, a company controlled by Canada's Belzberg family, yesterday defaulted on US\$97m worth of junk bonds which were used to finance one of the family's many corporate raids in the 1980s.

The default is the latest in a series of setbacks for the Belzbergs, which have included large write-downs on their securities portfolio and the suspension of dividends by their main holding company, First City Financial.

A spokesman said yesterday, however, that the rest of the group has little exposure to First City Industries' problems beyond some receivables related to US real estate development. FCI's main assets, he said, are in the telecommunications, the construction, and the retail clothing fastener-maker which the Belzbergs acquired in 1985.

The bonds on which FCI defaulted yesterday were used to finance the hostile takeover of Scovill and are without recourse to First City Financial.

The Belzbergs have wound down their arbitrage activities and are now concentrating on financial services through First City Trust and real estate through First City Real Estate. Day-to-day management of the group has passed from family patriarch Mr Sam Belzberg to his nephew Brent.

FCI executives met bondholders in New York yesterday to discuss a restructuring of the debt. The Belzbergs are also seeking to renegotiate other components of their \$31.6m (US\$1.39bn) debt with the aim of matching maturities with the income stream from the group's real estate holdings.

In particular, holders of a First City Financial Swiss franc bond issue, on which the first payments become due next year, are expected to be asked for concessions. A restructuring of the debt has already been renegotiated to a three-year term loan.

The First City official said the rest of the debt is mostly project finance linked to specific developments.

Congress battles to shape the future

Barbara Durr on a bill aiming to settle regulatory reform legislation

The final battle in the US Congress over reform of futures regulation is about to begin. The Senate and the House are selecting their gladiators for what is expected to be a contentious conference between the chambers to reconcile their two versions of the regulatory reform legislation.

The House bill contains none of the provisions of jurisdiction of stock index futures and their margins, swaps and hybrid financial products that are at the heart of a carefully constructed compromise in the Senate. The final product consequently may not be what the Chicago exchanges and other parties to the Senate deal are hoping for.

The chief player on the House side, Representative Glenn English, a Democrat who chairs the key House Agriculture sub-committee, has been vocal in his opposition to the Senate deal. "When it gets to conference, it's a whole new ball game," he said.

Mr English sees no reason why the members of the House should accept a set of agreements - known as Title 3 of the Senate bill - to which they were not parties.

Although government agencies, industry representatives and various key senators shaped Title 3, Mr English says it was crafted "under duress in the other body". He refers to the pressure the Senate felt to produce a bill after having been bogged down for more than two years in a debate beset by heavy lobbying.

What long hindered the Senate's process was a bid by Mr Richard Breiden, the chairman of the Securities and Exchange Commission, to shift jurisdictional control of stock index futures from the Commodity

Futures Trading Commission to his agency.

He also wanted new hybrid financial products under the SEC's authority and substantial hikes in margins on stock index futures contracts. He lost on all three counts.

Title 3 of the final Senate version of the legislation keeps stock index futures under the authority of the CFTC, the futures industry regulator, and permits the CFTC to apply a test it devised to determine if a hybrid product is a future or a security. If the product derives more than 50 per cent of its value from movement of the underlying commodity, it is considered a future and subject to regulation by the CFTC.

Stock index futures margins were not specifically raised, but the Treasury department, which had largely leaped up with Mr Breiden, won broader oversight of these by the US Federal Reserve.

In the Senate's effort to address the increasingly complicated array of derivative and on-exchange financial products, it also attempted to define more clearly the CFTC's power to exempt certain products from its jurisdiction.

The bill's treatment of swaps is one of its more controversial provisions. The International Swap Dealers Association wanted a statutory exclusion of swaps from CFTC jurisdiction, but it failed to win this. Instead, swaps must meet two tests in order not to be considered futures contracts.

The CFTC must determine if the swap is a fungible, standardised contract and whether it is entered into or traded on what's called a "multilateral transaction execution facility".

According to Ms Joanne Medero, the CFTC's general



Thomas Donovan: better to put the matter to rest

counsel, this is to mark the difference between the current bilateral swaps market and something closer to a trading market.

Ms Medero says the agency's concern is to prevent the emergence of unregulated exchanges. But she said: "It's never been our intention to bring swaps under our jurisdiction." This comes as relief to ISDA, which, while having lost the possibility of a straight exclusion, can feel that it got more than half a loaf. But the Chicago markets are not pleased.

They contend that some swaps now are - and more could increasingly become - surrogates for futures contracts. They argue that a market that competes with them ought to be subject to the same regulation.

A debate over swaps, hybrid products and the stock index futures margins could possibly be resurrected in the conference, which is due to start next month.

Mr English said, for exam-

ple, he did not see any reason for placing margin authority with the Fed, which had plainly stated it was not interested in having such a responsibility.

The Treasury department has meanwhile made clear that if federal oversight of stock index futures is not included in the bill, it will recommend that President George Bush veto it.

How far the Chicago exchanges will press the House-Senate conference for a more favourable final bill is unclear. But Mr Thomas Donovan, president of the Chicago Board of Trade, said the exchange would back some version of the Title 3.

"Although we don't agree with all aspects of it, it does address the issues. And after nearly three years of confrontation, it is better to put the matter to rest," he said.

A complication could arise, however, regarding congressional jurisdiction on this legislation. Members of the House banking committee, which normally would not have a role in futures regulation, could feel they should be involved. Such a move would be supported by the securities industry, the SEC and ISDA, but could trigger greater resistance to any compromise.

Mr English has worked hard to develop the House legislation and would not want to see his sub-committee's jurisdiction vitiated by giving banking committee members some slice of authority on futures regulation. Yet he is better off with a final compromise on the legislation than with no legislation at all.

Mr English said, for exam-

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Lead	Book runner
EXPORT-IMPORT BANK OF JAPAN (a)†	250	8 1/4	99.88	2001	32.5/200p	LTCB Int.
Nestlé Holdings Inc (b)†	200	5 1/2	100	1998	2 1/4/1 1/2	UBS Phillips & Drew
STERLING Worldwidg Socy (c)†	100	(c)	100	1998	0.41/0.31	Deutsche Bank Cap.Mkts.
ECDC Compagnie Bancaire (a)†	200	6 1/2	101.575	1998	1 1/4/1.25	Paribas Capital Mkts.
LKB Baden-Württemberg (a)†	100	6	101.425	1998	1 1/4/1 1/2	Deutsche Bank Cap.Mkts.
CANADIAN DOLLARS Tokyo Electric Power Co (a)†	200	10 1/4	101.675	2001	2 1/4	Wood Gundy
Credit National (a)†	150	10 1/4	101.80	1998	1 1/4/1 1/2	Bankers Trust Int.
Total Cie.Fr. d'Petrole (a)†	100	10 1/2	101.65	1998	32.5/200p	Deutsche Bank Cap.Mkts.
AUSTRALIAN DOLLARS GMAC Australia Finance (a)†	75	11 1/4	101 1/4	1998	2 1/2	Hambros Bank
SWISS FRANC Credit Commercial de France (a)†	200	6 1/4	102 1/4	1998	-	Credit Suisse
Banque Paribas de Paris (a)†	150	7 1/4	102 1/4	1998	1 1/4	SG Warburg Soditic
SWISS Franc DSB Bank (a)†	50	10	100 1/4	1998	1 1/2/1	Schweizerischer Bankverein.
GUINEAN Franc National Investment (a)†	150	9	101.15	1998	1 1/4	SSC Inv.Banking NV
YEN TTPS Series (a)†	400	7 1/4	101 1/2	1998	1 1/4/1 1/2	Toyo Trust Int.

†Private placement, convertible, with early withdrawal, floating rate note, (Fixed terms), (a) Non-callable, (b) Each bond carries 50 warrants and warrant holders can buy 1 registered share in Nestlé SA per 10 warrants at SF\$200 per share. Exercise premium fixed at 9%. (c) Coupon paid 0.15% over 3-month Libor. Non-callable, (d) Callable in 1997 at 100% of par. (e) Issuer has option to repay at par or by delivery of 20 shares of Yaba AG plus each amount of Dm1,100 per Dm1,000 bond.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

The Financial Times Ltd 1991. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS		Wednesday May 15 1991										Tue May 14		Mon May 13		Fri May 11		Year ago (approx)				
& SUB-SECTIONS																						
Figures in parentheses show number of stocks per section																						
		Index	Day's Change %	Day's Earnings Yield %	Est. Earnings Yield %	Gross Div. Yield % (25%)	P/E (Ratio)	Ind adj. 1971 to date	Index	Index	Index	Index										
1	CAPITAL GOODS (136)	827.64	-0.3	11.23	5.87	10.57	14.65	830.52	837.23	846.55	840.13											
2	BUILDING Materials (24)	1087.68	+0.3	10.63	5.70	11.57	20.95	1084.77	1089.43	1110.31	1035.34											
3	Contracting, Construction (31)	1337.37	-0.1	10.63	5.70	11.57	20.95	1334.00	1340.00	1360.00	1280.00											
4	Electricals (10)	2340.50	-0.3	11.24	5.72	11.33	40.46	2347.33	2371.04	2380.33	2400.07											
5	Electronics (25)	1746.86	-0.1	8.96	5.13	14.88	4.00	1748.98	1756.42	1770.03	1821.00											
6	Engineering-Aerospace (8)	433.98	+0.2	18.08	5.77	7.48	10.60	430.21	426.59	439.72	446.11											
7	Engineering-General (67)	373.37	+0.1	14.86	5.77	7.48	10.60	374.00	375.00	376.00	377.00											
8	Metals and Metal Forming (8)	455.02	+0.2	16.64	7.58	6.27	0.59	454.07	456.94	461.54	462.51											
9	Motors (23)	323.60	+0.5	12.49	7.51	9.46	9.89	322.06	325.85	328.19	330.87											
10	Other Industrial Materials (20)	1474.54	-1.4	9.63	5.92	12.23	34.10	1473.02	1515.46	1508.13	1523.42											
11	Textiles (10)	1474.54	-1.4	9.63	5.92	12.23	34.10	1473.02	1515.46	1508.13	1523.42											
12	Brewers and Distillers (22)	1759.09	+0.1	8.61	3.65	14.24	18.48	1756.73	1820.16	1833.08	1833.91											
23	Food Manufacturing (20)	1154.29	+0.1	10.00	4.23	12.33	15.95	1152.75	1164.30	1173.05	1052.92											
26	Food Retailing (16)	2782.77	+0.5	7.99	2.91	16.37	16.72	2797.20	2821.81	2844.60	2282.63											
27	Health and Healthcare (23)	908.83	-1.0	6.43	5.33	14.34	21.64	916.00	919.68	907.55	2493.07											
28	Pharmaceuticals (23)	1321.95	+0.4	5.34	5.24	11.40	17.30	1320.63	1332.42	1342.51	1342.51											
30	Media (125)	1439.81	-0.3	4.97	4.77	13.33	20.96	1435.60	1472.65	1473.75	0.00											
31	Packaging, Paper & Printing (16)	659.60	+0.4	8.21	5.00	15.25	11.61	662.03	672.88	681.05	562.32											
32	Stores (8)	908.83	-0.8	8.85	6.85	12.79	8.01	916.00	919.68	907.55	746.43											
33	Utilities (13)	540.86	-0.1	10.10	5.95	12.79	8.01	540.63	541.13	542.13	542.13											
40	OTHER GROUPS (108)	1215.55	-0.2	9.72	5.00	12.63	10.13	1213.12	1219.10	1235.16	1122.44											
41	Business Services (13)	1212.06	-0.8	10.98	5.37	11.21	24.45	1209.98	1212.77	1223.50	0.00											
42	Chemicals (21)	1512.06	+0.6	8.69	5.33	11.60	16.48	1508.58	1523.94	1520.40	1212.00											
43	Commodities (10)	1512.06	+0.6	8.69	5.33	11.60	16.48	1508.58	1523.94	1520.40	1212.00											
44	Transport (14)	2191.64	-11.24	4.41	10.19	26.91	29.91	2191.14	2214.00	2239.41	2647.91											
45	Electricity (14)	1119.57	+0.01	6.61	5.99	10.79	0.00	1119.06	1204.85	1215.45	0.00											
46	Telephone Networks (4)	1439.00	+0.07	9.24	3.47	14.07	0.00	1448.99	1462.12	1485.45	1103.12											
47	Telecommunications (10)	1439.00	+0.07	9.24	3.47	14.07	0.00	1448.99	1462.12	1485.45	1103.12											
48	Miscellaneous (22)	1831.23	-0.6	13.35	5.05	13.33	21.46	1847.97	1850.11	1897.06	1715.50											
49	INDUSTRIAL GROUP (443)	1222.20	-0.2	9.37	4.57	13.12	12.73	1224.56	1233.47	1248.61	1210.46											
51	Oil & Gas (9)	2327.34	-0.6	10.82	5.72	10.24	40.20	2329.25	2366.96	2406.98	2271.77											
59	500 SHARE INDEX (500)	1316.63	-0.2	9.36	4.72	12.27	14.90	1319.77	1330.06	1340.27	1196.84											
61	FINANCIAL GROUP (97)	797.01	-0.1	7.85	6.19	18.46	17.76	796.81	807.59	817.21	764.52											
62	Banks (9)	887.52	-0.1	7.85	6.19	18.46	17.76	888.34	896.94	910.58	815.48											
63	Insurance-Life (7)	1064.54	-0.1	7.85	6.19	18.46	17.76	1060.00	1064.00	1068.00	1015.00											
64	Insurance-Comp (6)	665.34	-0.1	6.99	-	-	20.23	662.06	672.37	683.78	637.58											
67	Insurance-Brokers (8)	1080.52	-0.7	7.30	6.22	17.83	21.24	1088.30	1097.03	1116.28	1049.61											
68	Merchant Banks (7)	425.36	-0.1	-	-	-	4.47	422.83	425.02	431.15	421.39											
69	Finance (10)	1765.99	-0.7	7.85	6.19	21.13	17.76	1768.00	1778.00	1788.00	1770.33											
70	Other Financial (20)	285.80	-0.4	9.22	6.32	15.48	4.41	286.80	287.77	288.72	297.75											
71	Investment Trusts (70)	1205.06	-0.5	-	3.48	-	12.42	1203.63	1211.12	1226.48	1167.31											
99	ALL-SHARE INDEX (667)	1190.82	-0.2	-	4.83	-	12.23	1193.31	1203.31	1219.38	1094.43											
		Index	Day's Change	Day's %	Day's %	Day's %	May 14	May 13	May 12	May 11	May 10	Year ago										
FT-SE 100 SHARE INDEX													2459.4	-4.3	2466.21	2499.7	2463.7	2486.1	2581.3	2541.8	2523.4	2221.1

UK COMPANY NEWS

Upstream strength vies with weak demand and low oil prices
Gas prices lift Ultramar to £31m

By Deborah Hargreaves

ULTRAMAR, the diversified UK oil and gas company, reported a jump in first quarter profit from £6.3m to £30.8m, after the effects of stock gains and losses were stripped out. The company has changed its accounting method to include these replacement cost figures.

But it suffered a stock loss of £28.5m, compared with a stock gain of £11.9m, leading to a decline in historic cost profits from £18.2m to £2.3m.

While Ultramar expects oil prices to be lower on average this year than last, it hopes to offset this by increased production of oil and gas.

Output of liquid natural gas increased in Indonesia during the quarter. Some 54 cargoes were delivered, up from 43, largely as a result of a contract to supply Taiwan. Mr Peter Raven, finance director, said the company expects to deliver 190-200 cargoes of gas this year, compared with 176 in 1990.

However, production at the Canadian and Californian oil refineries were effected by the North American recession. Product sales fell from 130,000 to 123,600 barrels a day.

Canadian operations, were particularly badly affected and lost £1.9m in the quarter, com-

pared with profit of £20.5m. Overall, downstream business reported a loss of £3.8m compared with a profit of £19.2m.

These figures reflected a loss on stocks of £16.9m, against a stock profit of £10m in the first quarter of 1990.

Exploration and production operations in Indonesia, the UK, the Netherlands and the US increased profit from £16.1m to £21.5m, as gas prices, which typically lag oil prices by about 6 weeks, remained high.

Overall group production rose by about 9 per cent to

24,600 barrels of oil and 577m cu ft of gas per day - equal to 120,800 b/d. Mr Raven said he expected output to rise by just under this rate for the whole of this year.

Sales revenue in the three months fell to £450.7m (£470.1m) and earnings per share dropped to 0.6p (5p).

Contracts for the construction of production platforms for Ultramar's Marham gas development in the North Sea were awarded in March and gas is expected to flow in October 1992 when it will be among the first UK gas sold to continental Europe.

Reduced Exchequer levy helps lift TV-am

By Jane Fuller

TV-AM, the USM-quoted breakfast television company, reported an 8 per cent rise in pre-tax profit yesterday - the day on which it submitted its bid to retain the ITV franchise.

Taxable profit advanced from £24.04m to £25.8m on turnover up nearly 11 per cent to £89.4m (£80.53m) in the 12 months to January 31.

TV-am maintained its 72 per cent share of the breakfast audience with 16.7m viewers a week and saw advertising revenue increase by 5 per cent to £88.4m (£80.6m) in an otherwise flat market. The sale of airtime in Channel 4's early-morning service grew from £5m to £8.9m.

The pre-tax profit figure was however helped by a £1.34m increase in investment income to £6.34m and by a £2.1m cut in the Exchequer levy to £11.3m. TV-am has been one of the few not to suffer a big increase in this payment.

Mr Bruce Gynell, chairman and managing director, said that investment in TV-am's independent news operation had paid off during the Gulf War, with a record audience of 20.1m in the first week. Regional coverage at home had benefited from further investment in new television centres at Bradford, Peterborough and Cardiff.

Earnings per share improved to 24.5p (23.1p). An increased final dividend of 10p makes a total of 14p (13p).

The share price rose 5p to 183p.

Rival bidders for the franchise are Daybreak - which includes ITN, Carlton, MAI and the Daily Telegraph and Sunrise, including BWT, Scottish TV and the Guardian. TV franchise bids, Page 10

ACT advances 58% to £12.7m and makes £27.4m acquisition

By Alan Cane

ACT, the Birmingham-based computer services company which last year made £39m selling its hardware manufacturing arm to Mitsubishi of Japan, yesterday announced its first take-over bid since that disposal.

It has made an agreed £27.4m cash and shares offer for Quotient, a financial software house in which it already holds a 18.1 per cent stake. Acceptance of the bid means it now speaks for 41.3 per cent. Quotient's shares rose 86p to 183p on the news; ACT's fell 4p to 101p.

ACT also announced its results for the year to end March 1991, showing pre-tax profit up 58 per cent to £12.7m (£8.03m). Earnings per share rose 34 per cent to 9.5p (7.07p) and the dividend is set at 3.75p a share, up 67 per cent on the previous year's 2.25p.

As a result, the Quotient acquisition goes through, it will be third time lucky for ACT. It made its first approach to Quotient in 1988 and tried again two years ago. Quotient's willingness to be acquired this time is the result of the decision made last November by founder and chairman Mr Tim Simon to leave the company to pursue fresh interests.

He said yesterday that the dramatic changes which were reshaping the computer industry had led to disagreements within Quotient over corporate strategy. He had decided it would be in the best interests of the company if he left to develop his ideas further elsewhere.

Since then he and the board have been investigating ways to secure Quotient's future. There had been many approaches, but he believed there was powerful industrial logic in a merger with ACT.

Terms of the offer are one ACT share plus 86p cash for each Quotient share, valuing them at 200p. A cash alterna-



Roger Foster: keen to strengthen other divisions

Analysts yesterday agreed there was sound logic in a merger between the two. It would create a financial services software group of several hundred people with offices in London, New York, Paris, Tokyo, Sydney and Frankfurt.

ACT sales were £39m last year, a 66 per cent increase on the year before if the contribution of the hardware division was discounted. All the company's divisions were performing strongly and Mr Foster thought revenues would be about £125m this year, with 80 per cent of sales coming from packaged software. Analysts are pencilling in pre-tax profits of £15.5m-£15.8m for the year.

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Elliott adjusted to recessionary conditions

By Clare Pearson

B ELLIOTT, the machine tool and engineering group, is lifting its final dividend by nearly 10 per cent to 3.4p even though pre-tax profits fell from £7.63m to £6.52m in the year to end-March.

Elliott held the dividend at 1.25p at the interim stage, when pre-tax profits had climbed by nine per cent to £3.33m.

It warned a year ago that markets would deteriorate, and in November set in train big cost-reductions.

Closure of sites and some 400 redundancies, saving £11m per annum in running costs, were reflected in exceptional and

extraordinary charges of £1.9m and £4.9m respectively.

Mr Michael Frye, chairman, said recession had hit the company so hard that, in machine tool merchandising, demand had come to a complete standstill at one point over the winter months.

The pre-tax line was struck after an exceptional credit of £741,000. That included a £1.45m profit from property and £1.45m of technology sold to IMC Magnetics, part of the Japanese Minebea Group, with which one of Elliott's electrical engineering companies has formed a joint venture.

Turnover was £136.13m (£134.61m). Shares issued to pay for Garrison and other acquisitions depressed earnings per share, which worked through at 7.8p (12p) fully-diluted.

Mr Frye has quite a following in the smaller company's fraternity, so that over the last few years he has been able to finance Elliott's emergence from its loss-making past by issuing sizeable amounts of stock. Still, though the earnings line looks a little forlorn, nobody could complain about the dividend increase, which

means the shares are currently providing an undeniably attractive yield of just over 8 per cent. With different markets sending conflicting signals at the moment, the company readily admits the outlook is extremely hard to call. But the impressive cost-reductions achieved already mean that pre-tax profits should move ahead to 29m this year, even if demand does not go up. The prospective p/e is around 7.5 and another modest dividend increase is in sight, while administration for Mr Frye's management remains undented. Clearly, the shares have their attractions.

Scheme for LUI creditors gets go-ahead

By Raymond Hughes, Law Courts Correspondent

FOUR COMPANIES in the London United Investments insurance group, which collapsed last year, can go ahead with a proposed scheme of arrangement with their creditors as a result of a High Court ruling yesterday. They believe the scheme will be more beneficial to creditors than a liquidation.

Kingscroft Insurance Company, El Paso Insurance Company, Lime Street Insurance Company and Mutual Reinsurance Company are all insolvent. Claims against them total £351m and their assets amount to £258m.

In a ruling that confirmed received opinion among insurers and their lawyers as to the correct interpretation of the 1985 Insurance Companies (Winding-up) Rules, Mr Justice Hoffmann held that if an insurance company goes into liquidation a con-

tingent creditor - one with a claim not due for payment at the date of winding-up - can recover in the liquidation.

That interpretation had been argued for by the companies and their creditors.

Mr Richard Calnan, of Norton Rose, the companies' solicitors, said later that the terms of the scheme were still being discussed with major creditors and the Policyholders Protection Board. Its purpose was to enable the companies to run off their business in the normal way and pay a percentage of the claims.

Mr Justice Hoffmann said the feasibility of the scheme depended on the participation of the board, which had a discretion to give assistance to a company in financial difficulties. It could not do so if the cost would be greater than on a liquidation.

The board, therefore, needed to know the extent of its liabilities to policyholders on a liquidation and the principles upon which those liabilities should be valued were contained in the 1985 winding-up rules.

The judge rejected a narrower interpretation of the rules put forward by the Association of British Insurers at the request of the Board, which had taken a neutral stance.

He said the effect of the narrower view was to eliminate the great bulk of the companies' liabilities, with the result that, having gone into insolvent liquidation, they would emerge substantially solvent, with a healthy surplus for their shareholders, while policyholders would be left entirely without the cover for which they had contracted.

15 Hill Samuel directors to go in strategy review

By David Waller

FIFTEEN out of a total of 70 directors of Hill Samuel, the loss-making merchant bank within the TSB Group, are being made redundant or obliged to take early retirement, it emerged yesterday.

The redundancies follow a review of Hill Samuel's strategy undertaken by Mr Hugh Freedberg, the former head of TSB's investment and insurance services division who was appointed chief executive of Hill Samuel in March.

In a separate development, Hill Samuel announced yesterday that Mr Bay Green is leaving his post as head of the corporate finance department to rejoin Kleinwort Benson, where he worked for 17 years before spending three years at Hill Samuel.

Mr Green is to be replaced by Mr Richard Heley, who was a director of corporate finance at BZW for three years and

managing director of UK corporate finance for Citicorp in 1989-1990 before returning to Hill Samuel.

Of the 15 departing directors, most work in London and all are on the mainstream corporate banking side, rather than corporate financiers.

"We are beginning to get a grip on the operation, as we need to do in order to implement our strategy," Mr Freedberg said yesterday, "as a result of which a small number of senior people are having to leave."

The bank, bought by TSB for £777m in 1987, lost £40m in the last financial year as a result of provisions.

Mr Freedberg plans to turn Hill Samuel into the commercial banking arm of the TSB, concentrating on business with medium-sized companies - these with turnover of between £1m and £150m.

Avon gloomy on prospects as profits dip 26%

By Roland Rudd

Avon Rubber, the car components and tyre manufacturer, yesterday warned that the UK recession would continue to affect its business as it reported a 26 per cent fall in taxable profits for the six months to March.

The group blamed one of the toughest half years on both sides of the Atlantic for the fall in pre-tax profits from £4.64m to £3.45m on a slightly increased turnover of £114.22m.

Inflatables were the worst hit part of the group, reporting a loss of £703,000 compared with an operating profit of £26,000, while Cadillac's operating profit fell from £1.2m to £421,000.

Industrial Polymers reported the only good news with profits up from £3.7m to £5.4m.

Borrowings were reduced to £20m, representing 56 per cent of shareholders funds. The interim dividend of 5p per share is maintained, but earnings per share fell from 13.7p to 8.5p.

Chancery talks with creditors to continue

Creditors of Chancery, the troubled banking and financial services group, yesterday voted to continue talks with Price Waterhouse, the accounting firm appointed as administrators, writes Richard Gourlay.

Chancery, best known for sponsored tax shelter investments under the Business Expansion Scheme through subsidiaries, called in administrators in February after over-lending to the property sector. The creditors have agreed to allow Price Waterhouse to continue talking to shareholders, banks, local authorities and building societies. The accounting firm would seek the provision of new capital, debt to equity conversions and a re-scheduling of deposits and bank loans.

Chancery owes other institutions some £130m and has lent customers about £140m, before provisions. More than 60 per cent of the loans are to the property sector.

Mr Colin Bird, joint administrator, said the preferred strategy was to seek a "purely contractual agreement" with large creditors.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
ACT Group	2.5	Aug 12	1.5	3.75	2.25
Affiliated Irish	4.25p	July 11	4.25	7.75p	7.5
Avon Rubber	5	July 1	5	5	16.5
Barrat Holdings	4.8	July 1	3.75	6.8	3.75
Brit Invest Tel	19	July 22	12.5	22.5	21.5
Concentric	3.54	July 1	3.37	-	11
Countryside Prop	1.41	Sept 5	1.41	-	4.19
Diploma	2.25	July 1	2.25	-	8.5
Elliott (B)	3.4	Aug 1	3.1	4.65p	4.35
Jermyn Invest	3	June 22	3	3	3
Richards	1.07	July 1	1.07	-	4
Sainsbury (J)	5.25	July 29	4.35	7.35	6.1

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. \$USM stock. ‡Irish currency.

Fairway plans £2.3m purchase

Fairway (London) plans to acquire Greater London Supplies, distributor of educational supplies to schools in the greater London area, for £2.3m.

A 1-for-1 rights issue, to raise about £2m, is proposed to fund the acquisition and increase

working capital. The 14.61m ordinary shares are 44p each.

USM-quoted Fairway supplies stationery for the freight industry and provides print finishing services. It expects dividends for 1991 to at least equal last year's 3p.

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SUN ALLIANCE

ANNUAL GENERAL MEETING

The Annual General Meeting of Sun Alliance Group plc was held yesterday at the Head Office of the Company in Bartholomew Lane, London, E.C.2.

Mr. H. U. A. Lambert, the Chairman, said -

It is our practice to give shareholders a broad indication of our results for the first three months of the year although we do not publish quarterly figures.

The weather losses in the UK in the first quarter have been closer to the normal level in contrast to last year's storms, but strong competition has continued in all classes leading to heavier underwriting losses than usual for the quarter. We have increased premium rates in the main personal lines and in a number of commercial classes, but there has been little growth in premium income in the UK and the full beneficial effect from these increased rates will not be seen before 1992.

Overseas underwriting results show only a small improvement on last year.

The first quarter often produces a loss and in the current conditions I have to report that we have again made a pre-tax loss.

Sun Alliance Group plc

FIRST CHICAGO CORPORATION
US\$200,000,000 Floating Rate Subordinated Capital Notes Due 1997

Notice of Rate of Interest

Notice is hereby given that the rate of interest on the Floating Rate Subordinated Capital Notes due 1997 (the "Notes") issued by First Chicago Corporation for the interest period commencing 15th May 1991 and ending on 15th August 1991 has been determined to be 6 1/4 per cent per annum. The interest payment date for such interest period is 15th August 1991. The interest amount, i.e. the amount of interest payable in respect of each US\$10,000 principal amount of Notes, for such interest period is US\$158.72.

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UK COMPANY NEWS

Taking account of the prize

David Waller looks at disputed figures in Coats' bid for Tootal

EVER SINCE Coopers & Lybrand attacked BTR's profit record during the middle of the conglomerate's battle for Pilkington in January 1987, it has been customary for those engaged in takeover battles to attack each other's accounting.

Given the subjectivity inherent in all accounting, and the ease with which ingenious finance directors and merchant bankers can manipulate the numbers to demonstrate the irreducible logic of whatever case they are trying to prove, this is not surprising.

Acrimony over accounting issues has flared up in Coats Viyella's increasingly bitter battle for control of the Tootal textile group, the outcome of which will be decided tomorrow, the final closing date for the £252m offer.

Coats began the onslaught when, in its offer document, posted to Tootal shareholders in the first week of March, it condemned what it described as Tootal's "improper" accounting.

Tootal hit back earlier this month with its own analysis of the effects of rampant Brazilian inflation on Coats' reported profits from South America.

Coats' criticisms focus on the way Tootal accounted for two recent disposals. First, the company concluded a phased sale of its 49.8 per cent stake in Da Gama Textile Company in February 1990 for a total of £25m in five equal tranches. Second, Tootal sold off Sandhurst Marketing for £4.2m, having paid £25.3m for it in



Neville Bain: criticises how Tootal accounted for disposal

December 1989.

The criticism of the first disposal was that Tootal treated the gain on the sale of the Da Gama stake as if it were an ordinary trading item, and that it took credit for profits arising from Da Gama even after it ceased to have any real financial interest in the company.

Here Coats is supported by analysts from UBS Phillips & Drew who used the Da Gama transaction to show how a company can use corporate disposals to boost pre-tax profits. In "Accounting for Growth", a report published earlier this year which looks at creative accounting in the 1980s.

Mr Neville Bain, chief executive of Coats, is scornful of the way Tootal accounted for the disposal of Sandhurst. Although bought for £25.3m and sold for £4.2m, Tootal managed to book a profit of £3.5m on disposal, for the reason that £20.8m of the original purchase price was goodwill written off against reserves. The profit on disposal was calculated as the surplus over the (much-reduced) book value of the company.

Coats argues that as a result of these two transactions, Tootal's earnings per share were overstated by 44 per cent in the year to the end of January 1990.

The attack on Coats centres on the way it accounted for its South American businesses, which generated some 27 per cent of the company's total pre-tax profits between 1987-1990.

Using the services of KPMG Peat Marwick McLintock, the accountancy firm, Tootal's latest document takes a hatchet to the profits made by Linhas Corrente, Coats' Brazilian subsidiary.

Tootal says that under US accounting rules - arguably the toughest in the world - profits from Linhas amounted to a mere £16m in the four years from 1987 to 1990, compared with Coats' reported profits from South America of £158m over the period. Linhas ought to have contributed up to half of this, and Tootal is drawing attention to the discrepancy.

Both sides have their answers to the criticism. Mr Russell Walls, Coats' finance director, is contemptuous of Tootal's analysis of its South American operations, saying that the other side had failed to dig up all the relevant documents, and that the dividend the parent received from its Brazilian subsidiary was far higher than any figure quoted in the Tootal document.

Mr David Williams, finance director of Tootal, says that the accounting treatment of the two disposals was spelled out in the company's annual report for all to see. "Our accounts have never been anything other than true and fair," he scoffs.

NEWS DIGEST

Richards plunges to £495,000

THE SEVERE downturn in the UK carpet market and, to a lesser extent, the poor showing of the Irish linen business, made inroads into the profitability of Richards.

For the half year ended March 31 1991 the pre-tax balance plunged from £1.7m to £495,000, on turnover slightly ahead to £37.95m (£37.47m).

It was likely that adverse conditions would continue until the autumn, said Mr Brian Gilbert, the chairman. But he remained confident there was considerable potential for profitable growth within the operating companies.

The interim dividend is held

at 107p from earnings of 1.71p (5.07p).

There was an extraordinary charge of £136,000 covering withdrawal from the "fiercely competitive" machine knitting yarn market. In addition, £250,000 was spent on rationalisation and reorganisation.

Some £1.5m was spent on new plant and equipment in the period. Since then all of Conrtauld's Textiles carpet yarn spinning plant had been purchased, following its withdrawal from the market.

BIT asset value recovers to 79p

A strong recovery in the second half saw shareholders in British Investment Trust a net asset value of 79p at March 31 1991.

Six months earlier it was only 61p, compared with 75p at end-March 1990. In the second half the

switching of the proceeds of the £75m debenture issue of 1989 to equities began; £29m remained in short-dated government bonds at the year-end.

The year 1990-91 produced income of £31.16m, a 23 per cent increase over the previous £25.35m, and earnings per share rose 13 per cent to 25.7p (22.8p). The final dividend is 13p for a total of 23.5p (21.5p).

Switching of the debenture will reduce income in the short term and could result in earnings falling short of this year's dividend level. Any shortfall, however, will be made up from reserves.

BIT is managed by Edinburgh Fund Managers, and has total assets of £574.5m.

Jermyn Investment £268,000 midterm

Jermyn Investment, a share and property investor, made a pre-tax profit of £268,000 in

1990. That compared with £1.69m which included a large exceptional profit.

This year the company has released £98,000 from the provision against investments; £131,000 was provided last time.

Earnings came to 3.51p (50.68p) and the ordinary dividend is again 3p. The convertible preference dividend cost £112,500 following the £3m issue to Drayton Consolidated Trust.

At the year-end the group had £1.5m on deposit and listed investments valued at £700,000.

Development projects in Douglas, IOM, and St Peter Port, Guernsey, were being completed within schedule. The completion and leasing of those was "important to the future of the group", the directors stressed.

The rent review at Blythwood Street, Glasgow, had been finalised, after arbitration.

Prices for electricity generated for the purposes of the electricity pooling and settlement arrangements in England and Wales			
Purchased Price for Five Pools for trading in 1991-92			
10 hour period	Pool 1 (North)	Pool 2 (West)	Pool 3 (East)
0000	16.51	16.15	16.18
0100	16.51	16.15	16.18
0200	16.51	16.15	16.18
0300	16.51	16.15	16.18
0400	16.51	16.15	16.18
0500	16.51	16.15	16.18
0600	16.51	16.15	16.18
0700	16.51	16.15	16.18
0800	16.51	16.15	16.18
0900	16.51	16.15	16.18
1000	16.51	16.15	16.18
1100	16.51	16.15	16.18
1200	16.51	16.15	16.18
1300	16.51	16.15	16.18
1400	16.51	16.15	16.18
1500	16.51	16.15	16.18
1600	16.51	16.15	16.18
1700	16.51	16.15	16.18
1800	16.51	16.15	16.18
1900	16.51	16.15	16.18
2000	16.51	16.15	16.18
2100	16.51	16.15	16.18
2200	16.51	16.15	16.18
2300	16.51	16.15	16.18
2400	16.51	16.15	16.18

Prices are determined for every half-hour in accordance with the electricity pooling and settlement arrangements in England and Wales. The Pool Purchase Price is the basis of the electricity pooling and settlement arrangements in England and Wales. The Pool Purchase Price is the basis of the electricity pooling and settlement arrangements in England and Wales. The Pool Purchase Price is the basis of the electricity pooling and settlement arrangements in England and Wales.

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fondo de inversiones de venezuela



VENEZOLANA INTERNACIONAL DE AVIACION, S.A.

PRIVATISATION PROCESS

INTERNATIONAL BIDDING PROCESS

PREQUALIFICATION OF BIDDING CONSORTIA

The Fondo de Inversiones de Venezuela ("FIV") announces the formal commencement of the international bidding process for the acquisition of a block of shares (the "Controlling Block") representing a controlling interest in "Venezolana Internacional de Aviación, S.A." ("VIA" or the "Company"). The Controlling Block will be equivalent to 60% of the common shares of the Company. The terms of reference for the international bidding process will be published at a later date in newspaper with broad circulation both in Venezuela and internationally.

GENERAL CONDITION
 Parties interested in participating in the international bidding process for the acquisition of the Controlling Block are required to form or join a consortium for the purpose of submitting a bid to acquire the Controlling Block and operate and manage the Company.
 Each consortium must be structured to include one or more groups of Venezuelan investors and one more foreign (i.e., non-Venezuelan) international airline of recognized prestige.

The members of each consortium must comply with the following minimum requirements in order to be eligible to participate in the international bidding process:

- At least one of the international airline(s) must satisfy the following requirements:
 - Total system revenue passenger kilometers ("RPKs") of at least 10 billion (10,000,000,000) RPKs for each of the last three (3) fiscal years.
 - Total revenues of at least US\$ 1.0 billion (US\$ 1,000,000,000) for each of the last three (3) fiscal years.
 - Minimum shareholder's equity of two hundred and fifty million dollars (US\$ 250,000,000) at the end of the company's last fiscal year.

The Venezuelan Investor(s):

- Each investor, whether a corporation, partnership, association, or an individual, must be of recognized local prestige.
- Each corporation, partnership or association, must be validly incorporated, associated or registered, etc. and must otherwise be in good standing under the laws of Venezuela.
- The Venezuelan investors (taken as a group) must have aggregate minimum net worth of three hundred and thirty million bolívares (Bs. 330,000,000). Acceptable evidence of compliance with this requirement may be provided in the case of corporation, partnership etc., through audited financial statements for the most recent fiscal year, or in the form of a financial statement certified by the investors' independent accountants.

Consortia interested in prequalifying to participate in the international bidding for the control Block must provide the following documents in sealed envelopes in the same order in which they are mentioned:

ENVELOPE No 1: LEGAL DOCUMENTATION (One (1) original and two (2) copies)

- A letter signed by an authorized representative of the consortium addressed to FIV indicating the interest of the consortium in being prequalified to participate in the international bidding process for the purchase of the Controlling Block;
- A letter of intent or other form of agreement signed by each member of the consortium conforming its participation in the consortium;
- In the event that the Venezuelan Investor(s) includes corporations, partnerships or associations, (i) the articles of incorporation of association and the by-laws and any modifications or amendments thereof; and (ii), the minutes reflecting the election of the current Board of Directors;

In the event that the Venezuelan Investor(s) includes individuals, a document that certifies the identity of the investor(s).

- The articles of incorporation of the foreign international airline(s) that will form or join the consortium, indicating its name, domicile, name of legal representative and other relevant information.

ENVELOPE No 2: FINANCIAL DOCUMENTATION (One (1) original and two (2) copies)

- For the Venezuela Investor(s):
 - In the case of corporations, partnerships or associations, audited financial statements for each of the last three (3) fiscal years (unless the corporation, partnership or association was established more recently).
 - Income tax returns for the last three (3) fiscal years (unless the corporation, partnership or association was established more recently).
 - A letter of reference issued by a Venezuelan bank on behalf of each member of the consortium (whether an individual, partnership, corporation, association or other legal entity).
- For the foreign international airline(s):
 - Audited financial statements for each of the last three fiscal years.
 - Annual report for each of the last three fiscal years.
 - A certificate issued by a responsible official of the foreign international airline attesting to the airline(s) total system RPKs for each of the last three (3) years (if not included in the annual report).

RECEPTION OF DOCUMENTATION
 The documentation may be in Spanish and/or English, in sealed and separate envelopes which should form one package. The documentation will be received on June 22, 1991 at Fondo de Inversiones de Venezuela, Gerencia General, 20th Floor, Banco Central de Venezuela, Caracas-Venezuela. FIV may reject any consortium or member thereof whose documentation is incomplete or outdated and reserves the right to suspend the process or take any other action or decision which it considers necessary, without this rejection or suspension resulting in any grounds for any claim or legal action of any kind.

The process will be governed by the laws and regulations of the Republic of Venezuela.

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IMI Bank (International)**NOTICE**

to the holders of the outstanding
Yen 7,000,000,000 Guaranteed Zero Coupon Bonds Due 1992

of
IMI Bank (International)
unconditionally and irrevocably guaranteed by
Istituto Mobiliare Italiano

This notice is issued in connection with the forthcoming transformation of Istituto Mobiliare Italiano ("IMI") into a Società per Azioni ("S.p.A."), an Italian limited company. The transformation is to take place under the framework established by a law passed on 30th July, 1990 (the "Amato Law") for the restructuring of the public banking and credit system in Italy.

In connection therewith IMI Bank (International) (the "Issuer") is convening a Meeting of the Bondholders by the Notice below to request their agreement by Extraordinary Resolution to the proposed modification to the terms and conditions of the Bonds referred to in such Notice.

Full details of the Amato Law and the transformation are contained in an Information Memorandum prepared by IMI dated 16th May, 1991, copies of which are available to Bondholders at the offices of the paying agents (the "Paying Agents") specified below.

NOTICE OF MEETING

Notice is hereby given that a Meeting of the holders of the above Bonds (the "Bonds") and the "Noteholders" respectively convened by the Issuer will be held at Barrington House, 59-67 Gresham Street, London EC2V 7JA on 7th June, 1991 at 11.00 a.m. (London time) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed dated 27th October, 1987 made between the Issuer, IMI as Guarantor and Bankers Trust Company Limited as trustee for the Bondholders:

EXTRAORDINARY RESOLUTION

"That this Meeting of the holders of the outstanding Yen 7,000,000,000 Guaranteed Zero Coupon Bonds Due 1992 (the "Bonds") of IMI Bank (International) (the "Issuer") constituted by the Trust Deed dated 27th October, 1987 (the "Trust Deed") made between the Issuer, Istituto Mobiliare Italiano ("IMI") as Guarantor and Bankers Trust Company Limited (the "Trustee") as trustee for the holders of the Bonds (the "Bondholders") hereby:

- (1) assents to the modification of the Terms and Conditions of the Bonds as printed on the reverse of them and in Schedule 1 to the Trust Deed by the deletion of Condition B(1) thereof;
- (2) sanctions every abrogation, modification, compromise or arrangement in respect of the rights of the Bondholders against the Issuer or IMI involved in or resulting from the modification referred to in paragraph (1) of this Resolution; and
- (3) authorises and requests the Trustee to concur in the modification referred to in paragraph (1) of this Resolution and, in order to give effect to it, forthwith to execute a Supplemental Trust Deed in the form of the draft produced to this Meeting and for the purposes of identification signed by the Chairman of it with such amendments (if any) to it as the Trustee shall require.

PROVIDED THAT each such assent, sanction, authorisation and request is conditional upon the formal approval of the transformation of IMI into a Società per Azioni being given, to the satisfaction of the Trustee, by each of the following (to the extent the same have not been given prior to the meeting of Bondholders):

- (a) the Board of Directors of IMI
- (b) the stockholders of IMI at a general meeting
- (c) the Minister of the Treasury of Italy.

The attention of Bondholders is particularly drawn to the quorum required for the Meeting and for an adjourned Meeting which is set out in paragraph 2 of "Voting and Quorum" below.

Copies of the Trust Deed (including the Terms and Conditions of the Bonds) and the draft Supplemental Trust Deed referred to in the Extraordinary Resolution set out above will be available for inspection by Bondholders at the specified offices of the Paying Agents set out below.

In accordance with normal practice the Trustee expresses no opinion on the merits of the proposed modification but has authorised IMI to state that the Trustee, on the basis of the information contained in an Information Memorandum dated 16th May, 1991, has no objection to the Extraordinary Resolution being submitted to the Bondholders for their consideration.

VOTING AND QUORUM

1 A Bondholder wishing to attend and vote at the Meeting in person must produce at the Meeting either the Bonds, or a valid voting certificate or valid voting certificates issued by a Paying Agent relating to the Bonds in respect of which he wishes to vote.

A Bondholder not wishing to attend and vote at the Meeting in person may either deliver his Bonds or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction form (on a voting instruction form obtainable from the specified offices of the Paying Agents set out below) instructing a Paying Agent to appoint a proxy to attend and vote at the Meeting in accordance with his instructions.

Bonds may be deposited with any Paying Agent or (to the satisfaction of such Paying Agent) held to its order or under its control by CEDEL S.A. or the Operator of the Euroclear System or any other person approved by it, for the purpose of obtaining voting certificates, not later than 48 hours before the time appointed for holding the Meeting (or, if applicable, any adjournment of such Meeting), giving voting instructions in respect of the relative Meeting. Notes so deposited or held will not be released until the earlier of (a) the conclusion of the Meeting (or, if applicable, any adjournment of such Meeting) and the surrender of the voting certificate(s) or, not later than 48 hours before the time for which the Meeting (or, if applicable, any adjournment of such Meeting) is convened, the voting instruction receipt(s) issued in respect thereof.

2 The quorum required at the Meeting is two or more persons present in person holding Bonds or voting certificates or being proxies and holding or representing in the aggregate a clear majority in principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed). If within 15 minutes from the time fixed for the Meeting a quorum is not present the Meeting shall stand adjourned for such period, not being less than 28 days nor more than 42 days, and to such time and place, as may be appointed by the Chairman of the Meeting. At such adjourned Meeting the quorum shall be two or more persons present in person holding Bonds or voting certificates or being proxies and holding or representing in the aggregate not less than one-fifth in principal amount of the Bonds for the time being outstanding. On a show of hands every person who is present in person and produces a Bond or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each Yen 10,000,000 principal amount of Bonds so produced or represented by the voting certificate so produced or in respect of which he is a proxy.

3 Every question submitted to the Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting or by one or more persons holding one or more Bonds or voting certificates or being proxies and holding or representing in the aggregate not less than one-fifth in principal amount of the Bonds for the time being outstanding. On a show of hands every person who is present in person and produces a Bond or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each Yen 10,000,000 principal amount of Bonds so produced or represented by the voting certificate so produced or in respect of which he is a proxy.

4 To be passed the Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the votes cast. If passed, the Extraordinary Resolution will be binding on all the Bondholders, whether or not present at such Meeting and whether or not voting, and upon all the holders of the coupons relating to the Bonds.

PRINCIPAL PAYING AGENT

Bankers Trust Company, 1 Appold Street, Broadgate, London EC2A 2HE

PAYING AGENTS

Banking Industrie Luxembourg, 39 Allée Scheffer, L-2520 Luxembourg
Swiss Bank Corporation, Aeschenvorstadt 1, CH-4002 Basel, Switzerland
Banque Indosuez Belgique S.A., Rue des Colonies 40, B-1000 Brussels, Belgium

IMI Bank (International)

16th May, 1991

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.

IMI Bank (International)**NOTICE**

to the holders of the outstanding
ECU 100,000,000 7% per cent. Guaranteed Notes Due 1992

of
IMI Bank (International)
unconditionally and irrevocably guaranteed by
Istituto Mobiliare Italiano

This notice is issued in connection with the forthcoming transformation of Istituto Mobiliare Italiano ("IMI") into a Società per Azioni ("S.p.A."), an Italian limited company. The transformation is to take place under the framework established by a law passed on 30th July, 1990 (the "Amato Law") for the restructuring of the public banking and credit system in Italy.

In connection therewith IMI Bank (International) (the "Issuer") is convening a Meeting of the Noteholders by the Notice below to request their agreement by Extraordinary Resolution to the proposed modification to the terms and conditions of the Notes referred to in such Notice.

Full details of the Amato Law and the transformation are contained in an Information Memorandum prepared by IMI dated 16th May, 1991, copies of which are available to Noteholders at the offices of the paying agents (the "Paying Agents") specified below.

NOTICE OF MEETING

Notice is hereby given that a Meeting of the holders of the above Notes (the "Notes") and the "Noteholders" respectively convened by the Issuer will be held at Barrington House, 59-67 Gresham Street, London EC2V 7JA on 7th June, 1991 at 10.30 a.m. (London time) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed dated 27th October, 1987 made between the Issuer, IMI as Guarantor and Bankers Trust Company Limited as trustee for the Noteholders:

EXTRAORDINARY RESOLUTION

"That this Meeting of the holders of the outstanding ECU 100,000,000 7% per cent. Guaranteed Notes Due 1992 (the "Notes") of IMI Bank (International) (the "Issuer") constituted by the Trust Deed dated 27th October, 1987 (the "Trust Deed") made between the Issuer, Istituto Mobiliare Italiano ("IMI") as Guarantor and Bankers Trust Company Limited (the "Trustee") as trustee for the holders of the Notes (the "Noteholders") hereby:

- (1) assents to the modification of the Terms and Conditions of the Notes as printed on the reverse of them and in the First Schedule to the Trust Deed by the deletion of the words "or IMI ceasing to be a public statutory body" from Condition 1(5) thereof;
- (2) sanctions every abrogation, modification, compromise or arrangement in respect of the rights of the Noteholders and the holders of the coupons relating to the Notes against the Issuer or IMI involved in or resulting from the modification referred to in paragraph (1) of this Resolution; and
- (3) authorises and requests the Trustee to concur in the modification referred to in paragraph (1) of this Resolution and, in order to give effect to it, forthwith to execute an Amending Trust Deed in the form of the draft produced to this Meeting and for the purposes of identification signed by the Chairman of it with such amendments (if any) to it as the Trustee shall require.

PROVIDED THAT each such assent, sanction, authorisation and request is conditional upon the formal approval of the transformation of IMI into a Società per Azioni being given, to the satisfaction of the Trustee, by each of the following (to the extent the same have not been given prior to the meeting of Noteholders):

- (a) the Board of Directors of IMI
- (b) the stockholders of IMI at a general meeting
- (c) the Minister of the Treasury of Italy.

The attention of Noteholders is particularly drawn to the quorum required for the Meeting and for an adjourned Meeting which is set out in paragraph 2 of "Voting and Quorum" below.

Copies of the Trust Deed (including the Terms and Conditions of the Notes), the Principal Trust Deed and the draft Amending Trust Deed referred to in the Extraordinary Resolution set out above will be available for inspection by Noteholders at the specified offices of the Paying Agents set out below.

In accordance with normal practice the Trustee expresses no opinion on the merits of the proposed modification but has authorised IMI to state that the Trustee, on the basis of the information contained in an Information Memorandum dated 16th May, 1991, has no objection to the Extraordinary Resolution being submitted to the Noteholders for their consideration.

VOTING AND QUORUM

1 A Noteholder wishing to attend and vote at the Meeting in person must produce at the Meeting either the Notes, or a valid voting certificate or valid voting certificates issued by a Paying Agent relating to the Notes in respect of which he wishes to vote.

A Noteholder not wishing to attend and vote at the Meeting in person may either deliver his Notes or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction form (on a voting instruction form obtainable from the specified offices of the Paying Agents set out below) instructing a Paying Agent to appoint a proxy to attend and vote at the Meeting in accordance with his instructions.

Notes may be deposited with any Paying Agent or (to the satisfaction of such Paying Agent) held to its order or under its control by CEDEL S.A. or the Operator of the Euroclear System or any other person approved by it, for the purpose of obtaining voting certificates, not later than 48 hours before the time appointed for holding the Meeting (or, if applicable, any adjournment of such Meeting), giving voting instructions in respect of the relative Meeting. Notes so deposited or held will not be released until the earlier of (a) the conclusion of the Meeting (or, if applicable, any adjournment of such Meeting) and the surrender of the voting certificate(s) or, not later than 48 hours before the time for which the Meeting (or, if applicable, any adjournment of such Meeting) is convened, the voting instruction receipt(s) issued in respect thereof.

2 The quorum required at the Meeting is two or more persons present in person holding Notes or voting certificates or being proxies and holding or representing in the aggregate a clear majority in principal amount of the Notes for the time being outstanding (as defined in the Trust Deed). If within 15 minutes from the time fixed for the Meeting a quorum is not present the Meeting shall stand adjourned for such period, not being less than 28 days nor more than 42 days, and to such time and place, as may be appointed by the Chairman of the Meeting. At such adjourned Meeting the quorum shall be two or more persons present in person holding Notes or voting certificates or being proxies and holding or representing in the aggregate not less than one-fifth in principal amount of the Notes for the time being outstanding. On a show of hands every person who is present in person and produces a Note or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each ECU 1,000 principal amount of Notes so produced or represented by the voting certificate so produced or in respect of which he is a proxy.

3 Every question submitted to the Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting or by one or more persons holding one or more Notes or voting certificates or being proxies and holding or representing in the aggregate not less than one-fifth in principal amount of the Notes for the time being outstanding. On a show of hands every person who is present in person and produces a Note or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each ECU 1,000 principal amount of Notes so produced or represented by the voting certificate so produced or in respect of which he is a proxy.

4 To be passed the Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the votes cast. If passed, the Extraordinary Resolution will be binding on all the Noteholders, whether or not present at such Meeting and whether or not voting, and upon all the holders of the coupons relating to the Notes.

PRINCIPAL PAYING AGENT

Bankers Trust Company, 1 Appold Street, Broadgate, London EC2A 2HE

PAYING AGENTS

Bankers Trust Luxembourg S.A., 14 Boulevard F.D. Roosevelt, L-2450 Luxembourg
Swiss Bank Corporation, Aeschenvorstadt 1, CH-4002 Basel, Switzerland

IMI Bank (International)

16th May, 1991

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.

IMI Bank (International)**NOTICE**

to the holders of the outstanding
Yen 10,000,000,000 Floating Rate Guaranteed Notes Due 1993

of
IMI Bank (International)
unconditionally and irrevocably guaranteed by
Istituto Mobiliare Italiano

This notice is issued in connection with the forthcoming transformation of Istituto Mobiliare Italiano ("IMI") into a Società per Azioni ("S.p.A."), an Italian limited company. The transformation is to take place under the framework established by a law passed on 30th July, 1990 (the "Amato Law") for the restructuring of the public banking and credit system in Italy.

In connection therewith IMI Bank (International) (the "Issuer") is convening a Meeting of the Noteholders by the Notice below to request their agreement by Extraordinary Resolution to the proposed modification to the terms and conditions of the Notes referred to in such Notice.

Full details of the Amato Law and the transformation are contained in an Information Memorandum prepared by IMI dated 16th May, 1991, copies of which are available to Noteholders at the offices of the paying agents (the "Paying Agents") specified below.

NOTICE OF MEETING

Notice is hereby given that a Meeting of the holders of the above Notes (the "Notes") and the "Noteholders" respectively convened by the Issuer will be held at Barrington House, 59-67 Gresham Street, London EC2V 7JA on 7th June, 1991 at 11.20 a.m. (London time) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed dated 12th May, 1989 made between the Issuer, IMI as Guarantor and The Law Debenture Trust Corporation P.L.C. as trustee for the Noteholders:

EXTRAORDINARY RESOLUTION

"That this Meeting of the holders of the outstanding Yen 10,000,000,000 Floating Rate Guaranteed Notes Due 1993 (the "Notes") of IMI Bank (International) (the "Issuer") constituted by the Trust Deed dated 12th May, 1989 (the "Trust Deed") made between the Issuer, Istituto Mobiliare Italiano ("IMI") as Guarantor and The Law Debenture Trust Corporation P.L.C. (the "Trustee") as trustee for the holders of the Notes (the "Noteholders") hereby:

- (1) assents to the modification of the Terms and Conditions of the Notes as printed on the reverse of them and in the Second Schedule to the Trust Deed by the deletion of the words "or IMI ceasing to be a public statutory body" from Condition 9(5) thereof;
- (2) sanctions every abrogation, modification, compromise or arrangement in respect of the rights of the Noteholders and the holders of the coupons relating to the Notes against the Issuer or IMI involved in or resulting from the modification referred to in paragraph (1) of this Resolution; and
- (3) authorises and requests the Trustee to concur in the modification referred to in paragraph (1) of this Resolution and, in order to give effect to it, forthwith to execute a Supplemental Trust Deed in the form of the draft produced to this Meeting and for the purposes of identification signed by the Chairman of it with such amendments (if any) to it as the Trustee shall require.

PROVIDED THAT each such assent, sanction, authorisation and request is conditional upon the formal approval of the transformation of IMI into a Società per Azioni being given, to the satisfaction of the Trustee, by each of the following (to the extent the same have not been given prior to the meeting of Noteholders):

- (a) the Board of Directors of IMI
- (b) the stockholders of IMI at a general meeting
- (c) the Minister of the Treasury of Italy.

The attention of Noteholders is particularly drawn to the quorum required for the Meeting and for an adjourned Meeting which is set out in paragraph 2 of "Voting and Quorum" below.

Copies of the Trust Deed (including the Terms and Conditions of the Notes) and the draft Supplemental Trust Deed referred to in the Extraordinary Resolution set out above will be available for inspection by Noteholders at the specified offices of the Paying Agents set out below.

In accordance with normal practice the Trustee expresses no opinion on the merits of the proposed modification but has authorised IMI to state that the Trustee, on the basis of the information contained in an Information Memorandum dated 16th May, 1991, has no objection to the Extraordinary Resolution being submitted to the Noteholders for their consideration.

VOTING AND QUORUM

1 A Noteholder wishing to attend and vote at the Meeting in person must produce at the Meeting either the Notes, or a valid voting certificate or valid voting certificates issued by a Paying Agent relating to the Notes in respect of which he wishes to vote.

A Noteholder not wishing to attend and vote at the Meeting in person may either deliver his Notes or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction form (on a voting instruction form obtainable from the specified offices of the Paying Agents set out below) instructing a Paying Agent to appoint a proxy to attend and vote at the Meeting in accordance with his instructions.

Notes may be deposited with any Paying Agent or (to the satisfaction of such Paying Agent) held to its order or under its control by CEDEL S.A. or the Operator of the Euroclear System or any other person approved by it, for the purpose of obtaining voting certificates, not later than 48 hours before the time appointed for holding the Meeting (or, if applicable, any adjournment of such Meeting) or (b) giving voting instructions in respect of the relative Meeting. Notes so deposited or held will not be released until the earlier of (a) the conclusion of the Meeting (or, if applicable, any adjournment of such Meeting) and the surrender of the voting certificate(s) issued in respect of such Note(s) or (c) the surrender, not later than 48 hours before the time for which the Meeting (or, if applicable, any adjournment of such Meeting) is convened, of the voting instruction receipt(s) given by the relevant Paying Agent in respect of such deposited Note(s) which are to be released or, as the case may be, the Note(s) ceasing with the agreement of the Paying Agent to be held to its order or under its control whereupon, in the case of (c), the Paying Agent will give notice to the Issuer of the necessary amendment to the block voting instruction.

2 The quorum required at the Meeting is two or more persons present in person holding Notes or voting certificates or being proxies and holding or representing in the aggregate a clear majority in principal amount of the Notes for the time being outstanding (as defined in the Trust Deed). If within 15 minutes from the time fixed for the Meeting a quorum is not present the Meeting shall stand adjourned for such period, not being less than 14 days nor more than 42 days, and to such time and place, as may be appointed by the Chairman of the Meeting and approved by the Trustee. At such adjourned Meeting the quorum shall be two or more persons present in person holding Notes or voting certificates or being proxies and holding or representing in the aggregate not less than one-fifth in principal amount of the Notes for the time being outstanding. On a show of hands every person who is present in person and produces a Note or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each Yen 10,000,000 or such other amount as the Trustee may in its absolute discretion stipulate in principal amount of Notes so produced or represented by the voting certificate so produced or in respect of which he is a proxy.

3 Every question submitted to the Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting, the Issuer, the Guarantor or by two or more persons present holding Notes or voting certificates or being proxies and holding or representing in the aggregate not less than one-fifth in principal amount of the Notes for the time being outstanding. On a show of hands every person who is present in person and produces a Note or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each Yen 10,000,000 or such other amount as the Trustee may in its absolute discretion stipulate in principal amount of Notes so produced or represented by the voting certificate so produced or in respect of which he is a proxy.

4 To be passed the Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the votes cast. If passed, the Extraordinary Resolution will be binding on all the Noteholders, whether or not present at such Meeting and whether or not voting, and upon all the holders of the coupons relating to the Notes.

PRINCIPAL PAYING AGENT

The Long-Term Credit Bank of Japan, Limited, 2-4 Ottemachi 1-chome, Chiyoda-ku, Tokyo 100, Japan

PAYING AGENTS

Morgan Guaranty Trust Company of New York, Avenue des Arts 35, B-1040 Brussels, Belgium
Banque Internationale à Luxembourg S.A., 2 Boulevard Royal, L-2555 Luxembourg

IMI Bank (International)

16th May, 1991

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.

IMI Bank (International)**NOTICE**

to the holders of the outstanding
£100,000,000 9% per cent. Guaranteed Notes Due 1993

of
IMI Bank (International)
unconditionally and irrevocably guaranteed by
Istituto Mobiliare Italiano

This notice is issued in connection with the forthcoming transformation of Istituto Mobiliare Italiano ("IMI") into a Società per Azioni ("S.p.A."), an Italian limited company. The transformation is to take place under the framework established by a law passed on 30th July, 1990 (the "Amato Law") for the restructuring of the public banking and credit system in Italy.

In connection therewith IMI Bank (International) (the "Issuer") is convening a Meeting of the Noteholders by the Notice below to request their agreement by Extraordinary Resolution to the proposed modification to the terms and conditions of the Notes referred to in such Notice.

Full details of the Amato Law and the transformation are contained in an Information Memorandum prepared by IMI dated 16th May, 1991, copies of which are available to Noteholders at the offices of the paying agents (the "Paying Agents") specified below.

NOTICE OF MEETING

Notice is hereby given that a Meeting of the holders of the above Notes (the "Notes") and the "Noteholders" respectively convened by the Issuer will be held at Barrington House, 59-67 Gresham Street, London EC2V 7JA on 7th June, 1991 at 11.20 a.m. (London time) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed dated 12th May, 1989 made between the Issuer, IMI as Guarantor and The Law Debenture Trust Corporation P.L.C. as trustee for the Noteholders:

EXTRAORDINARY RESOLUTION

"That this Meeting of the holders of the outstanding £100,000,000 9% per cent. Guaranteed Notes Due 1993 (the "Notes") of IMI Bank (International) (the "Issuer") constituted by the Trust Deed dated 12th May, 1989 (the "Trust Deed") made between the Issuer, Istituto Mobiliare Italiano ("IMI") as Guarantor and The Law Debenture Trust Corporation P.L.C. (the "Trustee") as trustee for the holders of the Notes (the "Noteholders") hereby:

- (1) assents to the modification of the Terms and Conditions of the Notes as printed on the reverse of them and in the Second Schedule to the Trust Deed by the deletion of the words "or IMI ceasing to be a public statutory body" from Condition 9(5) thereof;
- (2) sanctions every abrogation, modification, compromise or arrangement in respect of the rights of the Noteholders and the holders of the coupons relating to the Notes against the Issuer or IMI involved in or resulting from the modification referred to in paragraph (1) of this Resolution; and
- (3) authorises and requests the Trustee to concur in the modification referred to in paragraph (1) of this Resolution and, in order to give effect to it, forthwith to execute a Supplemental Trust Deed in the form of the draft produced to this Meeting and for the purposes of identification signed by the Chairman of it with such amendments (if any) to it as the Trustee shall require.

PROVIDED THAT each such assent, sanction, authorisation and request is conditional upon the formal approval of the transformation of IMI into a Società per Azioni being given, to the satisfaction of the Trustee, by each of the following (to the extent the same have not been given prior to the meeting of Noteholders):

- (a) the Board of Directors of IMI
- (b) the stockholders of IMI at a general meeting
- (c) the Minister of the Treasury of Italy.

The attention of Noteholders is particularly drawn to the quorum required for the Meeting and for an adjourned Meeting which is set out in paragraph 2 of "Voting and Quorum" below.

Copies of the Trust Deed (including the Terms and Conditions of the Notes) and the draft Supplemental Trust Deed referred to in the Extraordinary Resolution set out above will be available for inspection by Noteholders at the specified offices of the Paying Agents set out below.

In accordance with normal practice the Trustee expresses no opinion on the merits of the proposed modification but has authorised IMI to state that the Trustee, on the basis of the information contained in an Information Memorandum dated 16th May, 1991, has no objection to the Extraordinary Resolution being submitted to the Noteholders for their consideration.

VOTING AND QUORUM

1 A Noteholder wishing to attend and vote at the Meeting in person must produce at the Meeting either the Notes, or a valid voting certificate or valid voting certificates issued by a Paying Agent relating to the Notes in respect of which he wishes to vote.

A Noteholder not wishing to attend and vote at the Meeting in person may either deliver his Notes or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction form (on a voting instruction form obtainable from the specified offices of the Paying Agents set out below) instructing a Paying Agent to appoint a proxy to attend and vote at the Meeting in accordance with his instructions.

Notes may be deposited with any Paying Agent or (to the satisfaction of such Paying Agent) held to its order or under its control by CEDEL S.A. or the Operator of the Euroclear System or any other person approved by it, for the purpose of obtaining voting certificates, not later than 48 hours before the time appointed for holding the Meeting (or, if applicable, any adjournment of such Meeting) or (b) giving voting instructions in respect of the relative Meeting. Notes so deposited or held will not be released until the earlier of (a) the conclusion of the Meeting (or, if applicable, any adjournment of such Meeting) and the surrender of the voting certificate(s) issued in respect of such Note(s) or (c) the surrender, not later than 48 hours before the time for which the Meeting (or, if applicable, any adjournment of such Meeting) is convened, of the voting instruction receipt(s) given by the relevant Paying Agent in respect of such deposited Note(s) which are to be released or, as the case may be, the Note(s) ceasing with the agreement of the Paying Agent to be held to its order or under its control whereupon, in the case of (c), the Paying Agent will give notice to the Issuer of the necessary amendment to the block voting instruction.

2 The quorum required at the Meeting is two or more persons present in person holding Notes or voting certificates or being proxies and holding or representing in the aggregate a clear majority in principal amount of the Notes for the time being outstanding (as defined in the Trust Deed). If within 15 minutes from the time fixed for the Meeting a quorum is not present the Meeting shall stand adjourned for such period, not being less than 14 days nor more than 42 days, and to such time and place, as may be appointed by the Chairman of the Meeting and approved by the Trustee. At such adjourned Meeting the quorum shall be two or more persons present in person holding Notes or voting certificates or being proxies and holding or representing in the aggregate not less than one-fifth in principal amount of the Notes for the time being outstanding. On a show of hands every person who is present in person and produces a Note or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each £1 or such other amount as the Trustee may in its absolute discretion stipulate in principal amount of Notes so produced or represented by the voting certificate so produced or in respect of which he is a proxy.

3 Every question submitted to the Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting, the Issuer, the Guarantor or by two or more persons present holding Notes or voting certificates or being proxies and holding or representing in the aggregate not less than one-fifth in principal amount of the Notes for the time being outstanding. On a show of hands every person who is present in person and produces a Note or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each £1 or such other amount as the Trustee may in its absolute discretion stipulate in principal amount of Notes so produced or represented by the voting certificate so produced or in respect of which he is a proxy.

4 To be passed the Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the

IMI Bank (International)

NOTICE

to the holders of the outstanding
U.S. \$200,000,000 9% per cent. Participating Dual Currency Bonds Due 1993

IMI Bank (International)

unconditionally and irrevocably guaranteed by
Istituto Mobiliare Italiano

This notice is issued in connection with the forthcoming transformation of Istituto Mobiliare Italiano ("IMI") into a Società per Azioni ("S.p.A."), an Italian limited company. The transformation is to take place under the framework established by a law passed on 30th July, 1980 (the "Amato Law") for the restructuring of the public banking and credit system in Italy.

In connection therewith IMI Bank (International) (the "Issuer") is convening a Meeting of the Bondholders by the Notice below to request their agreement by Extraordinary Resolution to the proposed modification to the Terms and Conditions of the Bonds referred to in such Notice.

Full details of the Amato Law and the transformation are contained in an Information Memorandum prepared by IMI dated 16th May, 1991, copies of which are available to Bondholders at the offices of the paying agents (the "Paying Agents") specified below.

NOTICE OF MEETING

Notice is hereby given that a Meeting of the holders of the above Bonds (the "Bonds" and the "Bondholders" respectively) convened by the Issuer will be held at

San Giorgio House, 58-57 Greenwich Street, London EC2V 7JA on 7th June, 1991 at 12.30 p.m. (London time) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Supplemental Trust Deed dated 3rd October, 1988 made between the Issuer, IMI as Guarantor and The Law Debenture Trust Corporation p.l.c. as trustee for the Bondholders.

EXTRAORDINARY RESOLUTION

"That this Meeting of the holders of the outstanding U.S. \$200,000,000 9% per cent. Participating Dual Currency Bonds Due 1993 (the "Bonds") of IMI Bank (International) (the "Issuer") constituted by the Supplemental Trust Deed dated 3rd October, 1988 (the "Trust Deed") supplemental to a trust deed dated 12th May, 1988 (the "Principal Trust Deed") both made between the Issuer, Istituto Mobiliare Italiano ("IMI") as Guarantor and The Law Debenture Trust Corporation p.l.c. (the "Trustee") as trustee for the holders of the Bonds (the "Bondholders") hereby:

- (1) assents to the modification of the Terms and Conditions of the Bonds as printed on the reverse of them and in the Second Schedule to the Trust Deed by the deletion of the words "or IMI ceasing to be a public statutory body" from Condition (5) thereof;
- (2) sanctions every abrogation, modification, compromise or arrangement in respect of the rights of the Bondholders and the holders of the coupons relating to the Bonds against the Issuer or IMI involved in or resulting from the modification referred to in paragraph (1) of this Resolution; and
- (3) authorises and requests the Trustee to concur in the modification referred to in paragraph (1) of this Resolution and, in order to give effect to it, forthwith to execute an Amending Trust Deed to the form of the draft produced to this Meeting and for the purposes of identification signed by the Chairman of it with such amendments (if any) to it as the Trustee shall require.

PROVIDED THAT each such assent, sanction, authorisation and request is conditional upon the formal approval of the transformation of IMI into a Società per Azioni being given, to the satisfaction of the Trustee, by each of the following (to the extent the same have not been given prior to the meeting of Bondholders):

- (a) the Board of Directors of IMI;
- (b) the stockholders of IMI at a general meeting;
- (c) the Minister of the Treasury of Italy;

The attention of Bondholders is particularly drawn to the quorum required for the Meeting and for an adjourned Meeting which is set out in paragraph 2 of "Voting and Quorum" below.

Copies of the Trust Deed (including the Terms and Conditions of the Bonds), the Principal Trust Deed and the draft Amending Trust Deed referred to in the Extraordinary Resolution set out above will be available for inspection by Bondholders at the specified offices of the Paying Agents set out below.

In accordance with normal practice the Trustee expresses no opinion on the merits of the proposed modification but has authorised IMI to state that the Trustee, on the basis of the information contained in an Information Memorandum dated 16th May, 1991, has no objection to the Extraordinary Resolution being submitted to the Bondholders for their consideration.

VOTING AND QUORUM

1. A Bondholder wishing to attend and vote at the Meeting in person must produce at the Meeting either the Bonds, or a valid voting certificate or valid voting certificates issued by a Paying Agent relating to the Bonds in respect of which he wishes to vote.

A Bondholder not wishing to attend and vote at the Meeting in person may either deliver his Bonds or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction form (on a voting instruction form obtainable from the specified offices of the Paying Agents set out below) instructing a Paying Agent to appoint a proxy to attend and vote at the Meeting in accordance with his instructions.

Bonds may be deposited with any Paying Agent or (to the satisfaction of such Paying Agent) held to its order or under its control by CEDEL S.A. or the Operator of the Euroclear System or any other person approved by it, for the purpose of (a) obtaining voting certificates, not later than 48 hours before the time appointed for holding the Meeting (or, if applicable, any adjourned such Meeting) or (b) giving voting instructions in respect of the relative Meeting. Bonds so deposited or held will not be released until the expiry of (a) the conclusion of the Meeting (or, if applicable, any adjourned such Meeting) and either (b) the surrender of the voting certificate(s) issued in respect of such Bonds or (c) the surrender, not less than 48 hours before the time for which the Meeting (or, if applicable, any adjourned such Meeting) is convened, of the voting instruction certificate(s) given by the relevant Paying Agent in respect of such deposited Bonds which are to be released or, as the case may be, the Bonds(s) ceasing, with the agreement of the Paying Agent to be held to its order or under its control whereupon, in the case of (a), the Paying Agent will give notice to the Issuer of the necessary amendment to the book voting instruction.

2. The quorum required at the Meeting is two or more persons present in person holding Bonds or voting certificates or being proxies and holding or representing in the aggregate a clear majority in principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed). If within 15 minutes from the time fixed for the Meeting a quorum is not present, the Meeting shall stand adjourned for such period, not being less than 14 days nor more than 42 days, and to such time and place, as may be appointed by the Chairman of the Meeting and approved by the Trustee. At such adjourned Meeting the quorum shall be two or more persons present in person holding Bonds or voting certificates or being proxies and holding or representing in the aggregate a clear majority in principal amount of the Bonds for the time being outstanding.

3. Every question submitted to the Meeting will be decided on a show of hands unless a poll is demanded by the Chairman of the Meeting, the Issuer, the Guarantor or by two or more persons present holding Bonds or voting certificates or being proxies and holding or representing in the aggregate not less than one-fifth in principal amount of the Bonds for the time being outstanding. On a show of hands every person who is present in person and produces a Bond or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each U.S. \$1,000,000 or such other amount as the Trustee may in its absolute discretion stipulate in principal amount of Bonds so produced or represented by the voting certificate so produced or in respect of which he is a proxy.

4. To be passed the Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the votes cast. If passed, the Extraordinary Resolution will be binding on all the Bondholders, whether or not present at such Meeting and whether or not voting, and upon all the holders of the coupons relating to the Bonds.

PRINCIPAL PAYING AGENT

The Chase Manhattan Bank, N.A., Woodgate House, Coleman Street, London EC2P 2HD

PAYING AGENTS

Bank of Montreal Limited S.A., 24 Avenue Marconi, B-1050 Brussels
Chase Manhattan Bank Luxembourg S.A., 5 Rue Pictet, L-2938 Luxembourg

IMI Bank (International)

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MOTORS

NORMAND CITY OF LONDON

We invite you to view the Mercedes-Benz Range in our showrooms

NORMAND CITY LIMITED
3-5 Old Bailey London EC4
071-236 3745
Please contact Sarah Lewis or Jeffrey Young.

QUALITY USED CARS

COMPANY NOTICES

CANADIAN PACIFIC LIMITED
CANADIAN PACIFIC LIMITED
PERPETUAL 4% CONSOLIDATED
DEBENTURE STOCK
NEW HARBORWAY RAILWAY COMPANY
4% DEBENTURE STOCK
CALGARY & EDMONTON RAILWAY
COMPANY
4% DEBENTURE STOCK

In preparation for the payment of the half-yearly transfer dividend on the above securities, the transfer books will be closed at 5.30 p.m. on May 26, 1991 and will be re-opened on May 27, 1991.

D. R. KIRBY
Deputy Secretary

40-45 Tudor City Square,
London WC2H 9DT
May 16 1991

ART GALLERIES

MARLBOROUGH

6 Albemarle Street,
London W1
The Marlborough Gallery
Re-opening Exhibition
19 April - 31 May 1991

Mon-Fri 10-5.30 Sat 10-12.30
Tel: 01-629 5161

CLUBS

RVE has outlined others due to policy of fair play and value for money. Support from 10-5.30 am. Chorochoo, Chorochoo, Chorochoo, 100 Regent St, W1P 077 754 0027

POWER GENERATION EQUIPMENT

The FT proposes to publish this survey on

June 12th 1991.

The FT is read by 54% of Chief Executives in Europe's top 2000 companies. If you want to reach this important audience, call Philip Dodson on 071 873 3389 or fax 071 873 3062

Data source: Chief Executives in Europe 1990

FT SURVEYS

We are pleased to announce our appointment as

Depository Bank by



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A provider of solutions and services
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Citibank, N.A. is a member of TSA and EFF

This announcement appears as a matter of record only

CITIBANK

Notice of Early Redemption

PKBanken

Yen 20,000,000,000 7% per cent. Variable
Redemption Amount Notes due 1992

NOTICE IS HEREBY GIVEN to the Noteholders that, in accordance with Clause 6(b) of the Terms and Conditions of the Notes, the Bank will on 5th July, 1991 redeem all of the outstanding Notes at their Redemption Amount of Yen 100,000,000 per Yen 100,000,000 Note, together with accrued interest to such date.

Repayment of principal will be made against presentation of the Notes with all uncashed coupons attached, at the offices of any one of the Paying Agents listed below.

Bankers Trust Company

1 Appold Street

London EC2A 2HE

Bankers Trust Luxembourg S.A. Swiss Bank Corporation
14 boulevard F.D. Roosevelt L-1250 Luxembourg
L-2450 Luxembourg CH-4002 Basle

Accrued interest due 5th July, 1991, will be paid in the usual manner against presentation of Coupon No. 3 on or after 5th July, 1991.

Bankers Trust Company, London
16th May, 1991

Agent Bank

UK COMPANY NEWS

AIB hit by downturn in UK and US

By Kieran Cooke in Dublin

ALLIED IRISH BANKS, one of the big two banks in the Republic of Ireland, has announced sharply reduced profits and its highest ever bad debt provisions.

Pre-tax profits for the year ending March 31 1991 were £178.8m (£161.7m) - a reduction of nearly 25 per cent on the previous year. Bad debt charges for the year reached £174.1m - a rise of 78 per cent. Group operating profits before bad debt charges were up 5.2 per cent to £350.8m.

As a result of the drop in profits, earnings per share declined from 25p to 15.5p. AIB is recommending an unchanged final dividend of 4.25p making a total for the year of 7.75p (7.36p).

While AIB's performance in Ireland improved, reflecting continued growth in the domestic economy - pre-tax profits in the Ireland division increased from £134.8m to £143.8m - the US and particularly the UK suffered serious downturns.

Profits in the US division - mainly associated with its credit card business - fell from £15.2m last year to £5.7m, due to bad debts related to real estate and the generally sluggish US banking environment.

The UK division saw a profit



Paddy Dowling, deputy chief executive (left), and Roy Douglas, general manager for AIB Britain

of £141.2m last year turn into a loss of £11.7m - the first time that AIB has incurred losses in the UK. AIB's Capital Markets division also suffered a big drop in profits, down from £52.3m last year to £36.1m.

Mr Gerald Scanlan, the chief executive, said the year had been "difficult and challenging", but felt overall group performance had compared well

with other banks. "We do not have the same spread of business as the UK clearing banks yet our bad debts position compares favourably with those banks", said Mr Scanlan. "That is quite an achievement."

While the AIB results were broadly in line with market expectations some analysts were concerned about the bank's ability to deal with the

difficult economic conditions ahead, particularly in the UK.

AIB has tended to focus on certain niche markets in the UK - Irish associated businesses such as building groups, pubs and nursing homes - in the hope that this would insulate the bank from the international banking recession. But this small businesses sector has been hard hit by the economic downturn and at present shows no sign of revival. "It is not a question of trading water in the UK at the moment but of battering down the hatches", said Mr Scanlan. There is also concern about how long the present buoyancy in the Irish market will last. Domestic GNP growth is forecast to fall sharply this year and Mr Scanlan said that there had already been a drop in lending demand. AIB, together with the Bank of Ireland, dominates banking in the Irish Republic.

Earlier this month AIB announced it was consolidating its position in Northern Ireland with the £123m purchase of TSB's operations in the province.

In the US the bank is carrying out a due diligence process in preparation for a move on Pennsylvania's York Bank and Trust, which could cost US\$150m.

Concentric halved to £2m but sees improvement

By Paul Cheeseright, Midlands Correspondent

CONCENTRIC, the Birmingham-based engineering and components group, recorded its first drop in earnings for ten years in the six months ended March 31 1991.

But with more confidence than most companies in the sector, it is expecting improved results during the second half.

Against what Mr Tony Firth, the chairman, called "a background of slowly improving market conditions and stability", the company is lifting the interim dividend from 3.27p to 3.54p per share. The total for the last financial year was 11p.

Pre-tax profits for the period were £2.02m, less than half the £4.45m achieved in 1989-90, although sales increased from £55.72m to £61.16m. Earnings per share were 6.19p, against 33.42p.

The diversity of Concentric's interests, ranging from valves to pump data logging and telemetry systems to satellite dishes, proved little defence against what the group

called "the strong cocktail of the Gulf war, a business recession around the world, a general loss of confidence, a weak dollar and our decision to restructure some of our businesses."

Mr Firth explained that, where production volumes were normally high, reduced demand had led to increased costs.

Further, demand from the petrochemical industry had fallen away because of the Gulf War, "white goods had fallen off the edge in February", the US market had been uncertain and sales to the car industry had been "mixed".

The group believed, however, that the worst of the recession was now over. With greater stability in the markets it should be possible more easily to match resources against demand.

It had been carrying through a lengthy programme to increase productivity and that led to reductions in the payroll from 2,100 to 1,850.

Next buys in £4.9m of bonds

Next, the fashion retailer, has bought £4.9m of its 5 1/2 per cent convertible bonds for cancellation.

This will leave £72.7m of the issue outstanding.

They have an investor put

option which is exercisable in October 1993 requiring repayment at a price one-third above par.

Next shares fell 1/2p to 26 1/2p yesterday, and the convertible closed at £108 1/2, up 1 1/2p.

Electronic side softens Diploma profit decline

By Clare Pearson

PRE-TAX profits at Diploma, the electronic components, building materials and special steels group, fell from £8.3m to £6.3m in the six months to end-March.

Deepening UK recession, uncertainties caused by the Gulf war and the state of the housing market had made the second quarter a period which Mr Christopher Thomas, chairman, said was "one I would rather forget".

He said the profits fall was attributable to engineering and construction related activities with electronic component distribution being a welcome exception.

The result had been "disappointing but not damaging" for the company, he said. Cash-flow was good. The interim dividend was being maintained at 2.25p from earnings of 7.5p (9.5p).

"We are now seeing some

signs that confidence is recovering from the trough," he said.

In special steels, Diploma had seen demand on the UK engineering side, which previously accounted for about half its business, practically collapse. That left the lower margin oil-related side to take up a larger proportion of the business.

In building components, the second quarter was worse than the first amid continuing recession in the housing market. But a bright spot was that the IG Lintels subsidiary gained market share.

Despite a further downturn, which came after several poor years, on the electronic components side, the company increased its share of the market and profits rose. There was also an increase in bookings which was expected to help the second half performance.

Baris Holdings moves 36% ahead to £2.2m

Baris Holdings, the USM-quoted fire protection and dry lining specialist, lifted taxable profits by 36 per cent to £2.23m in the year to February 28. The comparable figure was £1.64m.

Mr Robert Smith, the chairman, said the result had been achieved against a backdrop of lower activity, falling tender prices and a general lack of optimism in the UK construction industry.

However, the company's order book was £14m at the year-end, a 45 per cent increase on the previous year.

Turnover in the 1990-91 year advanced 74 per cent to £19.88m (£11.31m). Earnings per share rose from 16.5p to 20.2p, and the directors are recommending a final dividend of 4.6p for an improved total of 6.6p (3.75p).

CORRECTION

Lion Mining Fin

Lion Mining Finance is not the manager of European Mining Finance, as we reported on May 14.

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

No. 00271 of 1991

IN THE MATTER OF
TYRALL HOLDINGS PLC

and

IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 15th April 1991 confirming the reduction of the capital of the above Company from £22,500,000 to £2,250,000 and the increase of the share capital of the Company as shown in the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 25th April 1991.

NORTON ROSE,
Kingsway House,
P.O. Box 870,
Canonica Street,
London EC2A 7AN
Solicitors for the Company

International Conference on the RECONSTRUCTION OF KUWAIT
The Dorchester, London, 30-31 May 1991

A thought-provoking analysis of the reconstruction and reconstruction programmes being put into effect in Kuwait. No other meeting has covered this vital issue from an international operation perspective, a new practical guide to the reconstruction of Kuwait.

Speakers include the General Manager of the United Bank of Kuwait; leading Middle East architect Abdul Wahid Al-Wahid; General Manager of Al-Rumayh, Al-Wazir Group (Kuwait); Mr A. Vinnil, Kuwait Coordinating Team, DTL; Mr R. Pellerin of the World Conservation Monitoring Centre; representatives from the Development Planning Unit, University College London; The Disaster Management Centre, CIO; W.S. Adams, Ove Arup, Skidmore, Cincinelli, Arthur Andersen, KPMG; Paul Marwick of Kuwait; the Association of British Insurers; British Aerospace; DTL; Orient Freight Group; Shammah Ltd; Cable and Wireless; CSC Europe; New Civil Engineers; New Builders and the British Field Export Council.

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For the three month period from 15th May, 1991 to 15th August, 1991 the Notes will bear interest at the rate of 12 1/2% per cent. per annum. The Coupon amount per £25,000 Note will be £760.10 payable on 15th August, 1991

Morgan Grenfell & Co. Limited
Agent Bank



Incorporated with limited liability in the Republic of France

Share capital: FF555,514,660
Head Office: 7 rue de Téhéran - 75008 Paris, France
NOTICE OF MEETINGS

Shareholders are hereby informed that an Ordinary General Meeting and an Extraordinary General Meeting will be held at the Automobile Club de France, 6 Place de la Concorde, 75008 Paris on 29th May, 1991 (AGM at 4.30 p.m., EGM afterwards) to consider the following agenda:

Annual General Meeting

- Reports of the Board of Directors and the auditors;
- Approval of transactions falling within Article 101 of the law of 24th July, 1966;
- Approval of the accounts for the year ended 31st December, 1990 and quibus to the Board of Directors;
- Apportionment of profits and determination of dividend;
- Proposal for payment of dividend in shares;
- Re-election of Directors;
- Renewal of the authorisation to the Board of Directors to purchase shares of the Company on the Stock Exchange;
- Renewal of the authorisation to the Board of Directors to issue bonds;
- Power of Attorney for carrying out formalities.

Extraordinary General Meeting

Reports of the Board of Directors, the Commissaire aux apports et à la fusion and the auditors.

1. Merger with the company SEPIVER by way of absorption of the latter, increase in share capital and amendment of Article 6 of the Articles of Incorporation, authorisation to the Board of Directors to apply all or part of the share premium as it sees fit.
2. Election of two additional Directors.
3. Authorisation to the Board of Directors, in the case of a takeover bid for the company, to increase the share capital on one or more occasions, by up to a maximum nominal amount of FF300 million through the issue of new shares, with maintenance of the shareholders' preferential subscription rights.
4. Authorisation to the Board of Directors, in the case of a takeover bid for the company, to increase the share capital on one or more occasions, by up to a maximum nominal amount of FF300 million through the issue of new shares, and waiver of the shareholders' preferential subscription rights.
5. Authorisation to the Board of Directors, in the case of a takeover bid for the company, to issue, on one or more occasions, shares with warrants attached up to a maximum nominal amount of FF150 million, the maximum nominal amount of shares for which such warrants give the right to subscribe being fixed at FF150 million, with maintenance of the shareholders' preferential subscription rights.
6. Authorisation to the Board of Directors, in the case of a takeover bid for the company, to issue, on one or more occasions, shares with warrants attached up to a maximum nominal amount of FF150 million, the maximum nominal amount of shares for which such warrants give the right to subscribe being fixed at FF150 million, and waiver of the shareholders' preferential subscription rights.
7. Limitation to FF300 million of the total amount of increases in capital that may be permitted by virtue of the authorisations contained in resolutions 3, 4, 5 and 6.
8. Authorisation to the Board of Directors to issue, on one or more occasions, warrants to subscribe for shares in the company, the maximum nominal amount of shares for which such warrants give the right to subscribe being fixed at FF75 million, and waiver of the shareholders' preferential subscription rights.
9. Power of the attorney for the signature of the regularity and conformity statement.
10. Power of attorney for carrying out formalities.

All shareholders will be entitled to attend the Meeting, regardless of the number of shares held.

To be entitled to attend or to be represented at the Meeting:

- holders of registered shares must be recorded in the Company's share register at least 6 days before the date of the Meeting;
- holders of bearer shares must deposit at the head office of the Company or at a branch of the institutions listed below, at least five days before the date of the Meeting, a certificate evidencing that the shares have been deposited with authorised intermediaries until the date of the Meeting;

Lazard Brothers & Co., Limited, 21 Moorfields, London EC2P 2HT, ENGLAND.
Lazard Frères et Cie, 121 boulevard Haussmann, 75008 Paris, FRANCE.
Crédit Lyonnais, 19 boulevard des Italiens, 75002 Paris, FRANCE.
Banque Paribas, 3 rue d'Antin, 75002 Paris, FRANCE.
Banque de Neufville, Schlumberger, Mallet, 3 avenue Hoche, 75008 Paris, FRANCE.
Crédit Industriel et Commercial de Paris, 66 rue de la Victoire, 75009 Paris, FRANCE.
Société Générale, 29 boulevard Haussmann, 75009 Paris, FRANCE.
Banque Transatlantique, 17 boulevard Haussmann, 75009 Paris, FRANCE.
Crédit du Nord, 6 et 8 boulevard Haussmann, 75009 Paris, FRANCE.
Lyonnaisse de Banque, 8 rue de la République, 69009 Lyon, FRANCE.
Banque Nationale de Paris, 16 boulevard des Italiens, 75009 Paris, FRANCE.
Mutuelle Industrielle, 55 rue la Boétie, 75008 Paris, FRANCE.
Société Générale de Banque, 3 Montagne du Parc, Brussels, BELGIUM.
Banque Indosuez, 96 boulevard Haussmann, 75008 Paris, FRANCE.
Lombard, Odier et Cie, 11 Coronerie, Geneva, SWITZERLAND.
A. Sarasin et Cie, 107 Freestrasse, Basle, SWITZERLAND.
J. Vontobel et Cie, Bahnhofstrasse 3, Zurich, SWITZERLAND.
Banque Worms, 1 place des Degrès, Cedex 58, 92058 Paris La Defense, FRANCE.
Banque Demachy et Associés, 223 rue Saint Honoré, 75001 Paris, FRANCE.
Caisse des Depots et Consignations, 56 rue de Lille, 75007 Paris, FRANCE.

A voting form will be sent to every shareholder registered on the share register in order to vote by post. Holders of bearer shares desiring to vote by post may obtain a voting form from the above institutions; holders must request such forms by registered letter to arrive at the institution not less than six days before the date of the Meeting.

Postal votes will be accepted only if received by the institutions at least five days before the date of the Meeting or received at the registered office of the Company at least three days before the date of the Meeting. Copies of the resolutions to be submitted to the shareholders at the Meeting may be obtained from the offices of Lazard Brothers & Co., Limited, 21 Moorfields, London EC2P 2HT.

Le Conseil d'Administration

RESILIENT PERFORMANCE IN A DIFFICULT YEAR

"This has been a difficult year for AIB Group but the bank has performed well in the face of the testing economic environments in two of its core markets."

Gerald B Scanlan
Group Chief Executive

Operating profit before bad debts of Stg£313.9m up 5%

Provisions for bad debts up 76%

Profit before tax Stg£160.0m down 25%

Earnings per share Stg13.6p

Final dividend of Stg3.8p giving Stg6.9p for the year

Allied Irish Banks, p.l.c.
If you would like to receive a copy of the group report and accounts, available from 14th June 1991, please write to Marketing Communications at AIB Bank, Bankcentre, Belmont Road, Uxbridge, Middlesex or telephone 0895 72222, extension 2605.

AIB Group is the service mark of Allied Irish Banks, p.l.c., incorporated in Ireland. Registered office Bankcentre, Ballsbridge, Dublin 4.

Registered in Ireland no. 24173

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UK COMPANY NEWS

Striving to adapt to an arranged marriage

Andrew Baxter on Du Pont's struggle to integrate Howson into its group structure

A little under two years ago, Vickers, the venerable UK engineering group, delighted analysts by announcing the £248m sale of its Howson-Algraphy printing plate business to Du Pont, the largest US chemicals producer. Vickers had recognised that Howson, the world's third biggest producer of aluminium lithographic plates for the newspaper and graphics arts industries, could go no further under its ownership.

The Leeds-based subsidiary needed, instead, to be part of a broad-based group that could sell chemicals, film and plates in a package to increasingly demanding customers worldwide. Selling the business to Du Pont was "a marriage made in heaven," according to one observer.

The strategic logic may have been impeccable, and was repeated late last year in Cookson's sale of Frank Horsell, another Leeds-based lithoplate maker, to International Paper of the US.

But the DP/Howson marriage has had a difficult start. The new partners are finding it difficult to get on, and there is even speculation, denied by Du Pont, that a divorce is possible. At the heart of the problem lies the challenge of fitting a tightly-knit company managing its global business from northern England into the complex management matrix of a multinational.

On top of that, Du Pont has had to grapple with the £248m purchase, jointly with Fuji Photo Film of Japan, of Crofield Electronics. This printing technology company was sold by De La Rue, the UK bank-note printer, a few months after Vickers' sale.

Du Pont conceded in its latest annual report that it had "experienced difficulty integrating the several imaging businesses acquired in 1989." Mr W Pincus Jaspert, a respected writer on the graphic arts industry, said: "They've admitted that they have taken on more than they can chew."

Until last month Howson - now called Du Pont-Howson - was in disarray. Callers wishing to speak to Mr Tony Wright, chief executive since 1986, were told that he was on holiday. Industry rumours that 52-year-old Mr Wright had left the company were confirmed finally on April 22.

Mr Wright's retirement is part of a worldwide reorganisation of Du Pont's entire imaging system division, intended to strengthen the links between Howson and its new parent. "We feel a driving need to get on with the total integration of all our imaging activities," says Dr Gary Cook, vice-president of Du Pont Printing and Publishing.

Perhaps inevitably, Howson has lost its ability to decide quickly on problems or opportunities anywhere in the world from its headquarters in Leeds. This used to be an advantage acknowledged even by its com-

petitors, including the market leader Hoechst of Germany, says Mr Ron Taylor, who retired last year as Vickers' managing director.

Mr Taylor is the man most closely associated with the transformation of Howson from a domestic minnow into a global player. Vickers bought WH Howson in 1965, and paid £8m for Algraphy, then Howson's only other big UK competitor, in 1968. The combination of technologies and a broader product range allowed the new Howson-Algraphy to "take on the big boys."

Under Mr Taylor, Howson-Algraphy expanded fast for 15 years, with domestic market share of up to 60 per cent providing the springboard for foreign sales. These were underpinned by the printing industry's shift from older technology to offset litho.

But by the mid-1980s Howson faced twin challenges to its continued growth. First, it was clear to both Mr Taylor and Sir David Plastow, Vickers' chief executive since 1980, that Howson was too dependent on printing plates and needed a complementary product - graphic arts film. But Vickers was unable to buy into the business or reach a trading agreement with a major manufacturer.

Secondly, expansion plans by Howson's German and Japanese rivals in Europe and North America had convinced Mr Taylor that "there was to be a bloody battle-ground in lithoplates."

So the decision was taken towards the end of 1988 to sell Howson. Mr Taylor drew up a list of six potential acquirers, who were approached discreetly by Lazard.

"I put Du Pont at the top of the list," says Mr Taylor, "largely because of their excellent range of graphic arts film products and the fact that they had no connection with printing plates. So the two fitted together very nicely." Initially, the deal took many in the City by surprise when it was announced in May 1989. Why, analysts asked, was Vickers selling a cash cow?

"I could see what was happening to that business, and I don't think the City could," says Mr Taylor. "We were propping up the bottom line in absolute terms by getting increased volume at lower margins."

In 1989, its last full year under Vickers' ownership, Howson had pre-tax profits of £19.2m on sales of £180.6m. The City soon applauded Vickers for getting such a good price for Howson, but Mr Taylor says both buyer and seller should have been happy.

"Du Pont were paying a price that had to make certain assumptions about the synergistic benefits of putting film and plate together. For the Vickers shareholder, those benefits were not available."

So far, it appears, Du Pont has made slow progress on



Ron Taylor: transformed Howson into a global player

achieving these synergies. This is due partly to circumstances beyond its control. The UK recession has hit domestic printing plate sales badly, and says Mr Jaspert: "Plate is a very hard business. The Japanese are determined to become the biggest suppliers."

Howson has probably retained its worldwide market share of 15 per cent, but is still understood to be selling on price. This, observers believe, means profits would have fallen even though Howson has held on to its customers.

But the assimilation of Howson has also proved a big distraction for Du Pont. Howson's simple structure of global functional responsibilities - one marketing director, for example, for the whole world - is at odds with the "matrix management" at Du Pont.

This involves a grid of regional and functional manag-

ers, and is used by most of the big chemical companies. One critic says, however, that Howson has been left in a no-man's land somewhere between the two contrasting philosophies. "It's neither the old nor the new."

Dr Cook points out that "if you've never been part of a highly-matrixed organisation, it's hard at first to understand how it will ever work." It is believed that Mr Wright was one of the Howson executives who felt happier with the old Howson style.

Last month's reorganisation is a sign that Du Pont is coming to terms with its new changes. The printing systems and electronic imaging businesses are to be combined under Dr Cook, a logical step when the technologies are converging.

Dr Cook believes the shake-up will strengthen the functional ties between Howson and Du Pont, and give customers easier access to Du Pont's broad product range. Howson, he says, is a core part of Du Pont's strategy.

Mr Jaspert, meanwhile, believes the future for Howson under Du Pont's ownership will depend very much on the US company's stamina. For his part, Mr Taylor says any other big multinational chemical company would have faced the same assimilation problems. "I'm quite sure Du Pont have the ability to make it all come right eventually," he says.



Ultramar

FIRST QUARTER 1991

WELL POSITIONED FOR THE UPTURN

- Refining and Marketing results reflect inventory holding losses and weak demand
- Net profit before inventory holding losses/gains increases to \$30.8 million from \$6.3 million
- Oil and gas production at record 120,800 barrels of oil equivalent per day
- Record number of LNG cargoes delivered from Indonesia
- Contract signed for construction of sixth LNG train at Bontang
- Commitments entered into for Markham field development in the North Sea

HIGHLIGHTS

	First Quarter 1991 £ million	First Quarter 1990 £ million
SALES REVENUE	450.7	470.1
NET PROFIT	2.3	18.2
CASH FLOW FROM OPERATIONS	26.3	45.2
NET PROFIT BEFORE INVENTORY HOLDING LOSSES/GAINS	30.8	6.3
EARNINGS PER SHARE	0.6p	5.0p



ULTRAMAR PLC, 141 MOORGATE, LONDON EC2M 6TX

Countryside sees first signs of a recovery

COUNTRYSIDE Properties made a pre-tax profit of £3.06m in the half year ended March 31, 1991 in difficult conditions. The end of the Gulf war and reduced interest rates came too late to affect the figures, said Mr Alan Cherry, the chairman.

However, those two factors had produced the first signs of a recovery. In residential housing there were "clear signs" of pent-up demand which would become increasingly effective as further cuts in mortgage rates occurred, he claimed.

The group had land with planning permission for 2,400 homes, and the right to acquire sites which would accommodate another 8,000.

The profit compared with £4m for the half and with a loss of £8.13m for all of 1989-90, when there was an exceptional £14.3m provision for reduced land and property values.

Earnings were again 7.2p and the interim dividend is held at 1.41p.

On the commercial side, Mr Cherry said the completed properties were being retained for the time being. When fully let they were expected to produce £5.4m of rental income per annum, and 92 per cent of that had already been secured. Short-term debt was being reduced by about £240m through arranging fixed-term bank loans.

To the Holders of

Middletown Trust 10% Notes Series A due 1993

NOTICE IS HEREBY GIVEN that, pursuant to Article Eleven of the General Covenant, for the Sinking Fund due July 15, 1991 U.S.\$9,620,000 of the Notes will be redeemed at 100% of their principal amount plus accrued interest to July 15, 1991 when interest on the Notes represented shall cease to accrue. Following the above redemption, U.S.\$22,376,000 Series A Notes, U.S.\$10,000,000 10% Notes Series B due 1996 and U.S.\$37,205,000 11% Notes Series C due 2010 will remain outstanding.

The redemption price and accrued interest are payable against surrender of the Bearer Notes together with all coupons maturing subsequent to July 15, 1991 at the offices of the Paying Agents outside of the United States listed below:

The Chase Manhattan Bank, N.A.,
Woolgate House,
Coleman Street,
London EC2P 2HD,
England.

Banque Bruxelles Lambert,
Avenue Marnix 24,
1050 Brussels,
Belgium.

Chase Manhattan Bank
Luxembourg, S.A.,
47 Boulevard Royal,
Luxembourg Ville,
Luxembourg.

Chase Manhattan Bank
(Switzerland),
Ganferstrasse 24,
8027 Zurich,
Switzerland.

The redemption price and accrued interest on the Registered Notes are payable at the office of the Registrar, Transfer Agent and Paying Agent, The Chase Manhattan Bank, N.A., Corporate Trust Administration, 1 New York Plaza, New York, New York 10081.

A further notice will be published specifying the serial numbers of the Bearer Notes called for redemption.

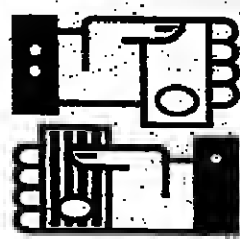
The Connecticut Bank and Trust Company
National Association as Trustee

Dated: May 16, 1991

FINANCIAL TIMES SURVEY

SCOTTISH FINANCIAL & PROFESSIONAL SERVICES

Thursday May 16 1991



The recession may be moving north, accompanied by the further challenge of the Single Market,

writes Barry Riley. One strategy for the industry may lie within a series of second-line EC financial centres. But Scotland must not seem to accept crumbs from London's table.

Individualists seek a niche

"IT ISN'T Scottishness, it is individuality that counts," says Sir Thomas Risk, retiring governor of the Bank of Scotland. "The existence of a separate group of financial practitioners outside London is beneficial to the UK as a whole."

By and large, Scotland's financial services industry has prospered in recent years. Its life assurance companies have expanded strongly; the Scottish banks have steered clear of the worst of the bad debt problems of their English counterparts; and if Scotland failed to benefit from the Big Bang revolution in the securities market, that does not look so bad an omission now that many London securities firms are bathed so heavily in red ink.

But times are changing. The recession that has hit south-east England so badly may be heading north, albeit in a slightly diluted form. Then there is the challenge of the Single Market in financial services, from the beginning of 1993, which is causing particular heart-searching for Scottish financial companies that are generally comparatively small and less internationally oriented than many of their London rivals.

Such historical connections as they have overseas are mainly in the US and the Far East. The problem is symbolised by the poor air links with the continent. "People coming from Munich or Milan have to get into another aircraft to reach Glasgow. They find it an inhibition," says Nicolas McAndrew, chief executive of fund managers Murray Johnstone.

Scottish expertise is rather narrowly based in fund management and insurance. There are important clearing banks, too, but the merchant banks are fairly small, and generally focus on putting together the Scottish element of national deals. There is very little in the way of financial markets of any kind.

Mr Scott Dobble, one of many Scots exiled in the London financial community, is seeking to change this. A top executive with County NatWest, he points out that a year ago his firm installed a dealing room in Edinburgh, staffed by traders who want to live and work in the Scottish capital. "You can be at your desk in Edinburgh and as near to the market as in London," he suggests, emphasising the power of modern communications.

In most cases, however, Scottish stockbrokers focus upon private clients, with Bell Lawrie White (owned by the TSB Group) the leader. It has some £1.5bn under advice in some 12,000 private-client portfolios. Its corporate and institutional business, meanwhile, is largely confined to the small-company sector. That could be seen as another case of Scotland acting as the City of London's low-cost relation.

Financial centres more than anything else are labour markets, dependent upon a pool of existing skills. In fund management there is a critical mass of human talent in Edinburgh and Glasgow, and the same does not apply in institutional broking, marketmaking or corporate finance.

It is true that, for many people, quality-of-life arguments count strongly. Those who want fresh air, space and an escape from London's commuting agonies, will thrive in Scotland. Until recently, too, the relative cheapness of office accommodation in Edinburgh and Glasgow counted for a lot.

Overall operating costs have been reckoned to be 25 per cent lower than in the City of London. Now, however, London's property glut is changing the picture, and City financiers seeking low-priced modern space do not need to head 400 miles north; they can travel just a few miles east to London's Docklands instead.

The latest available statistics show that, in January 1990, there were 184,000 jobs in financial and business services in Scotland, up some 40 per cent since 1981. The major sectors were banking and insurance. These fast-increasing jobs in financial and business services represent almost 10 per cent of all employment in Scotland, actually slightly less than for the UK as a whole, although more than in northern England or Northern Ireland. The jobs are productive, and financial services are estimated to produce 15 per cent of gross domestic product in Scotland.

The distinctive feature of Scotland is that it retains its separate institutions. Whereas the banks and insurance companies based in the English regions have virtually all been

New Scotland scores: global fund-management centres

Equities under management (\$bn)				
1990		1989		
1990	1989		1990	1989
1	1	Tokyo	2,192.3	1,778.0
2	2	New York	406.6	321.5
3	3	London	365.3	281.0
4	4	Geneve	283.4	218.7
5	5	Zurich	257.1	211.9
6	6	Boston	176.5	144.3
7	7	San Francisco	112.4	93.3
8	8	Toronto	85.6	69.8
9	11	Paris	81.3	58.7
10	10	Philadelphia	79.2	60.3
11	14	Frankfurt	73.2	49.5
12	12	Los Angeles	72.7	58.0
13	9	Chicago	67.8	65.8
14	16	EDINBURGH	62.5	40.1
15	13	Hartford	59.6	48.7
16	17	Basel	51.7	33.0
17	15	Montreal	42.3	44.8
18	18	Minneapolis	28.4	26.2
19	21	Atlanta	28.4	24.0
20	22	Newark	28.2	20.6
21	20	Houston	27.7	24.3
22	23	Düsseldorf	26.9	19.2
23	19	Baltimore	26.2	24.7
24	25	Trenton	21.8	16.7
25	-	Akron	20.1	na
26	-	GLASGOW	19.8	na

Source: Technometrics, London. The Banker, March 1990.

Source: Technometrics, London (The Banker, March 1991)

absorbed into London-based giants, Scotland has three locally-based clearing banks (although only two are independent) and a number of major life assurance companies, plus one large general insurer, General Accident.

The Scottish lobby has fought bitterly over the years to retain various corporate headquarters in Scotland, arguing that it is vital to retain a class of top decision-takers, and to hold on to the services activities – auditing, legal advice, management consultancy and so forth – that focus on the chief executive's office.

By and large, Scotland has failed to hold on to its industrial companies – leading to skintunes such as that over British Telecom when it was bought by BT three years ago – but it has done much better with its financial institutions. A threat to the Royal Bank of Scotland was fought off a decade ago, and all the bigger life companies have the security of mutual ownership.

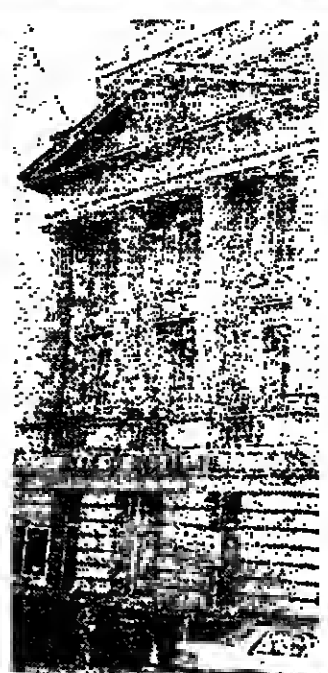
A valuable reputation for financial probity and skill is there to be exploited, by small firms as well as large. Mr Walter Scott, who runs an investment boutique, says that he

has no difficulty in gaining the co-operation of companies around the world when conducting investment research. He observes that, "I'm an investment manager, I come from Edinburgh" seems to be enough to get you into most places in the world.

Certainly Scotland, with its relatively low costs, has a thriving culture for financial enterprise. Mr Anthony Steel three years ago started up a specialist investment boutique called Advice on Investment Strategy in the improbable financial centre of Lockerbie, Dumfriesshire. "We couldn't have started this business in London at that time," he says.

But is the boutique approach good enough? The Scottish financial services industry could be criticised for taking rugged individualism too far, and for a failure to move quickly enough into businesses like unit trusts and pension funds, management which require good marketing. Earlier Scottish success largely missed out on the postwar growth of building societies.

The trade association Scottish Financial Enterprise was devised five years ago as a means of bringing mutual awareness and collective pur-



Fund management

Boutiques in search of the old spirit

By Barry Riley

SCOTLAND IS a substantial centre for portfolio management, with funds of around £80bn estimated to be controlled from, in the main, Edinburgh and Glasgow.

Perhaps £50bn is in the hands of the life offices, leaving £30bn managed by a variety of mostly independent firms. These figures include bonds and property, as well as equities.

The biggest single player is mighty Standard Life, where Mr Dick Barfield is in charge of some £20bn, with the help of a team of some 45 investment professionals.

It is investment power on that scale which helps attract a stream of visiting UK and US companies to Edinburgh, and keeps Scotland on the international road-show circuit. "You can manage money from anywhere these days," says Mr Barfield, "but it helps being part of an investment management centre."

In fact, however, sturdy independence rather than institutional power is regarded as more characteristic of Scottish fund managers, rooted as they are in the tradition of the investment trust movement. A crop of new investment boutiques is now seeking to recreate this spirit.

Aberforth Partners, for example, was started last summer by a team of fund managers who left Ivory & Sims. Specialising in small UK listed companies, it was lucky with its timing, being up and running when the small capitalisation sector became fashionable again in February this year.

Having successfully launched an investment trust, Aberforth now runs about £20m, and is floating a second

trust which could be worth up to another £30m.

Scottish Value Managers has been set up by Mr Colin McLean, formerly head of the Templeton on-trust operation, with an early focus on private client portfolios, including personal equity plans, but with ambitions to launch an investment trust too.

Mr Walter Scott, a kilted ex-ocular physiotherapist, heads a rather older boutique, Walter Scott & Partners, based in a mock castle near Edinburgh Airport. Mr Scott's firm is little-known but well-established, managing about £500m. With a staff of only 13, including six partners, it appears to be comparatively easy to run and very profitable.

It is the bigger independent fund managers, those with over £1bn under management and with staff numbers of 100 or more, that seem to run into difficulties. It could be a criticism of the Scottish investment management industry that no firms have really made a successful transition to the big time.

Ivory & Sims, for instance, once the Scottish industry's leader from its No.1 Charlotte Square base, and since 1983 a listed company, has suffered many defections and committed several management blunders over the years. It currently manages about £2.5bn.

Recently it has again been cutting staff, and has been unwinding its ill-timed attempt to break into the unit trust business. Mr Alan Munro, who became chief executive last year, says Ivory has addressed its costs problem earlier than have some of its competitors.

"We tackled with some gusto the problem which the rest of the industry encountered in

Continued on next page

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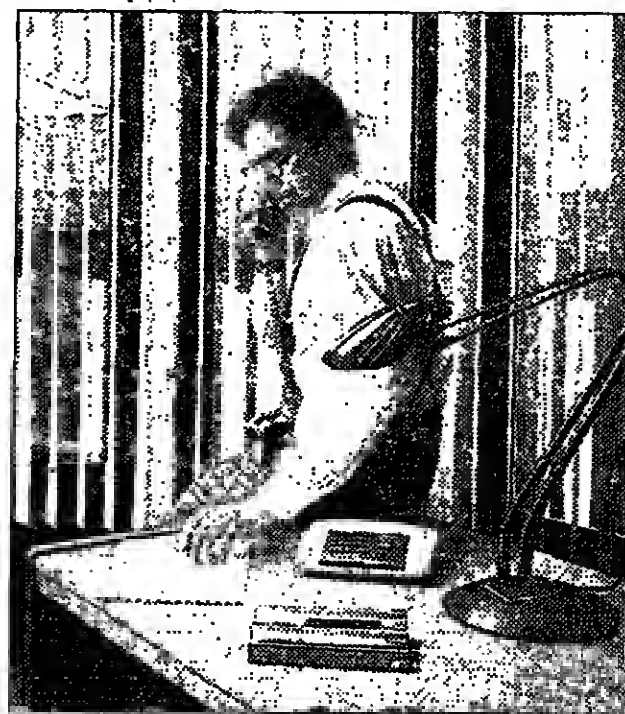
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SCOTTISH FINANCIAL SERVICES 2

James Buxton reports mixed results in the banking sector

Debt hits the big players' profits

THE RECESSION is at last catching up with the Scottish clearing banks.

On May 1, both Bank of Scotland and Royal Bank of Scotland produced their results, the first for the full year to February 28 and the second for the half year to the end of March.

Both showed steep falls in pre-tax profits, with Bank of Scotland, the smaller of the two leading banks, down 31 per cent and Royal Bank down 58 per cent - in both cases thanks to large provisions for bad and doubtful debts.

Mr Bruce Pattullo, Bank of Scotland's deputy governor, also launched a £194m rights issue, which he said was aimed at increasing the bank's market share at a time when margins in the UK banking market were widening as some competitors pulled out. The stock exchange approved and the bank's shares rose.

The fact that the rising tide of bad debts is hitting these two Edinburgh-based banks some time after it pulled down the big London-based clearers is a reminder of the degree of protection they have enjoyed up to now through their strong presence in the Scottish economy. Scotland never boomed to the same extent as England, and

Scotland never boomed to the extent of England, and only in the last few months has it gone into what may be a relatively mild recession

only in the last few months has it gone into what may be a relatively mild recession.

Thus Clydesdale Bank, the Glasgow-based subsidiary of National Australia Bank, which operates almost entirely in Scotland, made a record £70m in the year to last September. The other Scottish clearing bank, TSB Bank Scotland, based in Edinburgh, also reached a new pre-tax profit high with £61m for the 12 months to the end of October.

Royal Bank and Bank of Scotland both achieve at least half their business outside Scotland, the former through an extensive and growing branch network, the latter



George Younger (left), chairman, Royal Bank; and Bruce Pattullo, deputy governor, Bank of Scotland



through a large number of initiatives designed in part to offset the fact that it has only 15 branches south of the border.

Not having a large branch network, Bank of Scotland enjoys a substantially lower cost base than Royal Bank, although its cost-income ratio went up from 53 per cent to 54 per cent in 1990, while Royal Bank's fell from 63.5 per cent in 1989 to 61 per cent in 1990.

Last autumn, the Royal announced a series of changes aimed at simplifying its structure and improving its efficiency. The clearing bank became the operating parent of the business and several subsidiaries, each of which had had their own boards, were absorbed into it. Further changes, likely to be accompanied by job losses, should follow as the new managers eliminate dead wood.

Sir Michael Herries retired in January as Royal Bank's chairman, and was succeeded by Mr George Younger, the former defence secretary. Mr Bob Malden retired as managing director of the clearing bank, and it became likely last year that Dr George Mathewson, deputy chief executive, will be the successor of Charles Winter, when he retires as chief

executive in 1993.

At Bank of Scotland, meanwhile, the governor (chairman), Sir Thomas Risk, will retire in June to be succeeded by Mr Pattullo, giving the bank an executive chairman.

In Glasgow, meanwhile, Clydesdale is trying to improve its efficiency after the unhappy last years of the ownership of Midland Bank, which came to an end in 1987. High levels of capital spending, making up for years of starvation, are keeping up the cost-income ratio, which was 68 per cent in 1990.

In TSB Scotland big changes, similar to those in England, are being made in the way branches are run, and the bank is homogenising its products north and south of the border. In Edinburgh, branch administration has already been centralised on a single branch, while the layout of individual branches has been redesigned to reverse the traditional division between 70 per cent administration and 30 per cent for dealing with customers. The process moves soon to Glasgow.

The newly retrained staff in the customer service centres are currently being directed at attracting funds from savers to

Samuel Montagu of London and by the small merchant bank Noble Grossart of Edinburgh, while Hydro-Electric uses Charterhouse, part of Royal Bank but based in London.

"We've told our clients that recession would produce a flow of deals to be done in acquiring cheaply companies that have got into difficulties," says one Edinburgh merchant banker. "But so far that has not happened."

Meanwhile, however, organisations like Charterhouse Development Capital have been busy helping to restructure or refinance companies that may have been the subject of management buy-outs, and this month handled the \$108m leveraged buy-out of Devro, a subsidiary of Johnson & Johnson.

Noble Grossart often recommends medium-sized companies to remain in private hands, rather than go to the stock exchange. It recently handled the takeover by Drumbule, the drinks company, of Cathness Glass.

Another small corporate finance house - is Noble & Co, run by Sir Iain Noble and his brother Timothy. It concentrates primarily on raising cap-

The sector has been helped by the £2bn privatisation of the two Scottish electricity companies, Scottish Power and Scottish Hydro-Electric

ital for new ventures, and has raised finance for an impressive, somewhat eclectic, list of companies.

These include Aristuein, for which it raised £25m for a venture which hopes to buy up English building societies, and Delphi, a US company which is launching a new system of rapid photograph processing. It also handled the management buy-out of Lambert Smith Hampton, the London-based chartered surveyors, from British & Commonwealth.

Joint adviser to the government, with Barclays de Zoete Wedd of London, is Bank of Scotland's merchant banking subsidiary British Linen Bank. Scottish Power is advised by

The Single Market

Regional strategy for a second-tier alliance

LAST YEAR Mr James Provan became chief executive of Scottish Financial Enterprise, the trade association to which virtually the entire Scottish financial community belongs.

Unlike Professor Jack Shaw, his predecessor who set up SFE, Mr Provan is not a financial man. Instead he was until 1989 an influential Conservative MEP, and he was partly appointed to continue the process, begun by Prof Shaw, of awakening the Scottish financial community to opportunities in continental Europe, as the EC's single market takes shape.

Mr Provan is a skilled lobbyist, familiar with the ways of Brussels, and is nurturing a plan for the regions and secondary financial centres of Europe, such as Turin and Lyons, to form a second-tier alliance against Paris, London and Frankfurt. He recently concluded a co-operation agreement with Bavaria.

But he admits that some Scottish institutions have to be "dragged kicking and screaming" into showing an interest in continental Europe. "They've got to be shown the market. It will take time: a lot feel quite comfortable with things the way they are," he says. Scots have traditionally been more interested in North America.

Continental Europe does present opportunities to Scottish financial concerns, but they are not as alluring or as easy to exploit as they look. Most Scottish institutions are relatively small, which limits their scope to make acquisitions. Fund management companies are often insufficiently capitalised to fund big acquisitions.

Conversely the single market could heighten the prospect of Scottish institutions, notably the two leading banks, Royal Bank of Scotland and Bank of Scotland, being acquired by continental institutions - a point made by Ernst & Young's report, Scotland in the Single Market, commissioned by the Scottish Development Agency.

"Once you go and look at a market that interests you in an EC country, you very often discover impediments to doing business there which you hadn't realised," says an official of one of the banks. For example, a bank exploring the French mortgage market discovered that mortgage lenders there do not obtain custody of a property's title, contrary to British practice.

"There isn't really a single market," says one Edinburgh financial adviser. "There's a collection of markets, one or even more in each country, with their own cultures. Where opportunities exist, you usually find local institutions are actually exploiting them rather efficiently."

Of the Scottish institutions, only General Accident, the Standard Life is deterred by the prices at which insurance assets are changing hands in Europe

Perth-based composite insurer, has a long-standing involvement in continental Europe, with activities in France, Germany, Belgium, Italy, Greece, the Netherlands and Denmark. But its latest reports are not encouraging.

"In view of the difficult trading conditions and historically poor results, all our European operations have undergone a critical review and radical measures have been applied in all territories," cancelling unprofitable business and rationalising networks.

Royal Bank has been the most adventurous Scottish institution in forging new continental links: through its cross-shareholding with Banco Santander of Spain, it has some access to the Spanish market, and the two banks jointly control a growing private commercial bank in Portugal. The Spanish and Scottish banks have joint venture operations in Germany and Portugal. Bank of Scotland, having in-

tially been sceptical about the single market and determined to deploy its capital where it is most likely to make a good return (i.e. England), last year became involved in a small banking joint venture in Greece.

It also built on its strengths in credit-card processing, addressing the underdeveloped continental market by taking a small stake in Sifido, a new Italian processing company, and has set up a joint venture with Quella, the German mail-order company, to process cards in the German credit-card market, currently small but forecast for big expansion.

In the life-assurance sector, Scottish Provident in 1989 bought Equity & Law's operation in Spain, adding it to an initiative it had previously launched in Greece. Scottish Widows last year committed an initial £5.7m to buying a 40 per cent stake in a life assurance joint venture with Previa, Spain's largest medical insurer.

The biggest Scottish mutual, Standard Life, is still pondering before jumping into Europe. Mr Alan Forbes, who is responsible for research and planning, says Standard Life would like access to distribution networks. But it is deterred by the high prices at which insurance assets are changing hands in European countries as banks form alliances with insurance companies.

"We're pretty cautious about forming an alliance with a bank," he says. "The record of other alliances is not good and unless there is a genuine meeting of minds they tend to come apart."

He is wary of the highly regulated German market (though hoped of the eventual implementation of the European Commission's third life directive). Spain is more liberal but competition is strong. "We've yet to be convinced that there is money to be made there, though we could go in as a learning exercise."

James Buxton

New boutiques seek the old spirit

Continued from previous page

September," he claims.

In Glasgow, Mr Nicolas McAndrew, chief executive of Murray Johnstone, managing £3.5bn, admits he has been through an uncomfortable time too. The privately-owned firm also over-expanded during the late 1980s: around 20 redundancies were declared earlier this year, and 20 more jobs went through natural wastage.

Last year, Murray Johnstone made it known that it was seeking a buyer. Embarrassingly, it failed to find one which would pay a high enough price, and it has been forced to soldier on independently. Mr McAndrew claims the near-term prospects are good, but the company lacks distribution capability. "In the 1990s you have got to be able to reach the individual," he says.

Martin Currie, of Edinburgh, is another medium-sized pri-

vately-owned operation - managing £2.5bn - which has encountered growing pains. Like Murray Johnstone, it would like a big international backer, but it does not want to be swallowed up, preferring some kind of joint venture.

"We have talked and talked with the Japanese and the Europeans," says David Skinner, the company's chairman. "So far we haven't come up with any answer, but I am confident that in the longer term we will find a solution."

Martin Currie encapsulates the strengths and weaknesses of the Scottish firms. It has built on its foundations in investment trusts to move successfully into unit trusts and UK and US pension fund management. But it is uncomfortably placed halfway between being a boutique and a big investment group.

Perhaps the most successful so far of the Scottish independent funds is Baillie Gifford, which has been expanding quietly, and is now just overtaking Murray Johnstone in UK pension fund business.

Others, however, have lost their independence. Edinburgh Fund Managers is now controlled by the British Coal pension funds, although it is still listed on the stock market. Dinedia has gone in with the Bank of Scotland as a 50.5 per cent subsidiary.

Another player is the Royal Bank of Scotland subsidiary Capital House, which describes itself as the only two-centre fund management business, with some of the investment management and marketing activities located in London, but much of the private-client and back-office side housed in Edinburgh.

Capital House, managing

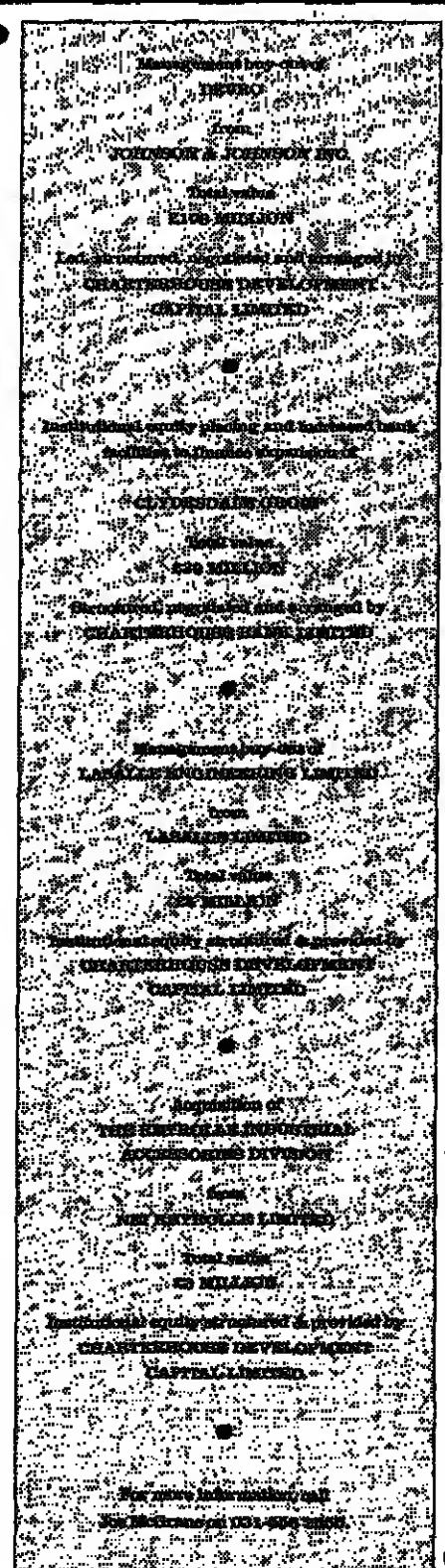
around £3bn, has the advantage of being able to sell through the Royal Bank's branches throughout the UK, though it has still to create the distinctive style of some of the independent Scottish investment management houses.

All the Scottish managers will have breathed a sigh of relief at the stock market's recovery during the first quarter of 1991. The industry's revenues were seriously squeezed last year when the market was weak.

But the upturn was not soon enough to save Instat, the planned investment management institute which was to have opened in Edinburgh this year. The new training institution would have enhanced Scotland's reputation as a fund management centre, but the venture capital offering failed to attract more than a small fraction of the funds required.



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SCOTTISH FINANCIAL SERVICES 3

As the life offices differ over Europe...

Amicable is cautious

THE SCOTTISH life insurance companies – the biggest nine of which make up the Association of Scottish Life Offices (ASLO) – represent one of the striking successes of the Scottish financial services industry.

They expanded rapidly through most of the 1980s, and by the end of last year they employed 12,000 people in Scotland (plus another 5,000 elsewhere in the UK). Last year they pulled in total premiums and investments of £2.85bn, and had funds under management of £90bn at the end of 1990. They hold over 20 per cent of the UK market, although Scotland only has 8.5 per cent of the UK's population.

Essentially the Scottish life companies have prospered by selling long-term investment products, backed by a modest element of life insurance, into the English market, from a base in Scotland where the costs are low but the skills tend to be relatively high.

Now, several of the Scottish offices are dabbling with the challenge of tackling the continental European markets, with Scottish Widows moving into Spain and Scottish Provident setting up in Greece. But the other major Scottish offices, including the biggest of them all, Standard Life, are holding their fire.

At Scottish Amicable, too, there is caution. "It would be very difficult to buy a company in Europe of a size that we could consider to be viable,"

says Mr Roy Nicholson, Amicable's chief executive. And a start-up, he adds, would be very resource-intensive. "Europe is not a major priority for us," he says, "but it will come."

Most Scottish life offices have the common characteristics of being mutuals and being historically reliant on independent financial advisers to distribute their products. This is beginning to change, however: Life Association of Scotland, a proprietary office which for some years has been owned by Nationale-Nederland, has begun to build its own sales force, and FS Assurance demutualised two years ago to become Britannia Assurance, the life insurance arm of Britannia Building Society.

For the rest, the impact of the Financial Services Act has forced a drastic reappraisal of distribution. Standard Life has linked with Halifax Building Society, and Scottish Equitable has set up a joint venture called Royal Scottish Assurance with Royal Bank of Scotland.

Mr David Berridge, chief executive of Scottish Equitable, is the current chairman of ASLO. He notes that the Scottish life industry has been successful in adapting to the changes in the savings market during the past few years, with life policies becoming less attractive to savers, while personal equity plans have made a big impact. Above all, he says, "pensions have become the main product."

But personal pension plans have created considerable administrative problems, which the Scottish life companies have not always handled successfully. A survey published last month by Alexander Consulting, the Glasgow-based intermediaries, placed most Scottish offices in the bottom half of the league table for quality of service. Scottish Widows, coming 15th out of 35, was the best of a bad bunch.

It is the relatively free availability of labour which has given the Scottish life companies an advantage. Mr Berridge points out that most can maintain an integrated structure, with a single main office, whereas "most of the London companies are scattered to the four winds".

He adds: "Costs are certainly lower than in London, though not materially lower than in places like Norwich." The advantages of Scotland as a base for high-volume information-processing businesses are highlighted by the continuing growth of Scottish Amicable's office complex at Craigforth, outside Stirling. Already 1,100 staff work there, and a new wing now under construction will eventually accommodate another 600.

"I'm a great believer in the quality of life up here," says Mr Nicholson, mentioning education, low house prices and ease of commuting. Scottish Amicable, he says, can recruit the pick of the local school leavers.

At higher levels of management, Scotland's strong educational tradition has also favoured the development of the life companies. With a stream of new graduates to be tapped, the Scottish actuarial profession has always been strong, and similar skills have been applied to the investment departments of the life companies.

But it is the marketing side that may pose problems for the Scottish offices over the next few years. Already the relative decline of the IFA sector has caused life companies to seek to develop the potential of direct agents of various kinds, and others besides IAS have talked about direct sales forces – Scottish Widows, for example.

But the Scots have little expertise in this area. In London, the Securities and Investment Board is to conduct a review of the retailing of investment products which could affect the way that IFAs conduct their business.

However, Mr Berridge points out that ASLO members slightly outperformed their English competitors in 1990. "Established life offices with good records are doing well," he insists.

Barry Riley

Flotation offers advisers a shop window, says James Buxton, but...

The export of services is limited

THE FLOTATION of the two Scottish electricity companies, due at the end of this month, is giving the professional advisers who cluster near Charlotte Square, in Edinburgh, and Blythwood Square, in Glasgow, a chance to show the depth of the expertise available in Scotland.

While the government, in choosing its financial advisers for the flotation, has coupled British Linen Bank of Edinburgh with the London-based Barclays de Zoete Wedd, many other Scottish professional advisers to the flotation have sole responsibility.

Thus the Scottish Office's legal advisers are the Glasgow-based solicitors McIndoe Donald Scottish Power's lawyers of long standing are Shepherd & Wedderburn, of Edinburgh, while Scottish Hydro-Electric are advised by Dundas & Wilson, both in Charlotte Square.

Although Citigate is leading the public relations team from London, backed by PR Consultants Scotland in Glasgow, the most obviously visible work on the flotation is Scottish. The witty television advertisements, using Scottish historical figures such as Bonnie Prince Charlie to encourage people to register and apply for shares, are the work of Fauda Advertising of Edinburgh. The advertisements, backed by a newspaper campaign, appear in the south of England as well as in Scotland.

The Edinburgh company Tayburn Design are the designers to the issue,

responsible for all the publicity material and design of the prospectus. Like Fauda, their involvement follows a series of successes in winning important accounts in Scotland, although their rivals the Leith Agency in advertising and McIlroy Coates in design are also strong Scottish-based performers in their fields.

These and other professional advisers say they are capable of providing work whose quality matches those of companies based in the south, though their focus is on the Scottish market. "An important client who goes to a Scottish-based professional adviser is likely to find that the firm is smaller than an equivalent in London," a leading Scottish accountant says. "But that is offset by the fact that he will very likely get the services of their top people, whereas in London he might only get the B-team."

Even though the privatisation experience is helping to demonstrate that Scotland offers a comprehensive set of financial and professional services, if on a relatively small scale, there is a limit to how far the services are exported beyond Scotland.

"The acid test is whether Scotland wins much business in ancillary services from the north of England and from Northern Ireland," comments a fund manager in Edinburgh, "and the answer is largely no. Manchester and Leeds provide competition, and everywhere there

is a latent tendency to go to London."

Shepherd & Wedderburn prides itself on the fact that it is the only Scottish law firm to feature in a recent league table of solicitors who have had a big involvement in stock exchange issues, coming 12th after a collection of mostly English firms. Most of the flotations involved are those of Scottish companies, though through the British Linen Bank the firm was involved in the flotation of the Manchester-based Air-tours.

Dundas & Wilson, meanwhile, can point to holding third place among UK legal firms serving unit trusts with 8 per cent of the market, and argues that it has one of the largest corporate client departments among Scottish lawyers, being heavily involved in mergers and acquisition work and, until recently, management buy-outs.

Neither of these Edinburgh firms has offices in London, unlike McGregor Dooland and Dickson Minto, the latter having developed a niche market in corporate work in London. Although much Scottish law is different from that of England, most corporate law is statute law and therefore identical all over the UK.

"It would raise our cost base and would never be more than a representative office," says Mr Tom Drysdale, managing partner of Shepherd & Wedderburn. "You can easily do a day's work in London using the shuttle."

Mr David Hardie, at Dundas & Wilson, says: "We're running a UK practice – it just happens we're running it from Edinburgh" – where, he might have added, costs are much lower.

In a community where not many providers of peripheral services are conspicuously exporting their wares, a recent start-up in Edinburgh is worth noting. Directus, the creation of Mr Angus MacDonald, a former fund manager, offers a new service which alerts investors to changes in directors' shareholdings in their companies.

Within four hours of a director's share transaction being announced on the stock exchange, Directus faxes its customers with the full details of the transaction, how many shares the director had before or has left and, if possible, the reason for the sale – which may be personal rather than business related.

Mr MacDonald argues that when directors buy or sell, it is very often followed by news which significantly affects the price. Directors were substantial net sellers before the 1987 crash.

Directus employs six people, and as well as providing a faxed service to institutional fund managers it issues a monthly newsletter, called The Inside Track. It also produces a weekly summary of directors' transactions in the Weekend FT. The business is doing well, and Mr MacDonald claims 70 per cent of institutional fund managers take the service, which only began last summer.

As the accountants prepare for recession...

Staff turnover eases

from a logjam on the career ladder. They have been used to losing a large proportion of newly qualified staff, but the labour market is now so poor that few are leaving. There is therefore a risk that staff numbers will balloon at a time when revenues are weakening.

"There is an unplanned increase," admits Mr Archie Hunter, managing partner of KPMG Peat Marwick McLintock's Glasgow office.

The word redundancy, however, never passes the lips of accountants, who prefer to talk about "counselling out."

According to Mr Hunter: "We might have to help people to move on." Accountants in Scotland have prospered during the past decade much as their English counterparts have, with the boom in "business" services, including consultancy and tax advice. But there has been a constant threat from centralisation: the ownership of big Scottish companies has been regularly moving south, and often their audits and other head-office contracts have gone with them.

Eventually the two big firms that had retained a strong Scottish character, Arthur Young and Thompson McLintock, decided to merge with stronger partners during the late 1980s to form Ernst & Young and PwC respectively.

According to Mr Donald Turner, Glasgow-based regional managing partner of Ernst & Young, probably Scotland's market leader, this recession is not as bad as the last one 10 years ago, but nevertheless the market has become very competitive.

"The profession is going through a pretty radical look at itself," he says. His firm is recruiting a few less students in Scotland than last year.

Like many representatives of the big firms, Mr Turner personally regrets that the merger of the Scottish and English institutes failed to go through. At PwC, Mr Hunter comments that the Scottish Institute

must preserve the best relationships with the big firms.

Although 58 per cent of the members of the Scottish Institute are located in Scotland, that leaves substantial numbers elsewhere. Some 26 per cent are in the rest of the UK, and the remaining 15 per cent are spread around the world.

The institute has now re-established London as one of its four training centres (the others are Edinburgh, Glasgow and Aberdeen), and Mr Peter Johnston, who joined about 15 months ago, talks about the tremendous spirit which has grown since the merger plan broke down. He would like to see the membership grow to a target level of 20,000.

"It is working. The will to make it work is extraordinarily strong," he says.

After some initial irritation, the English Institute has agreed to closer collaboration than before. According to Mr Johnston: "I had an ambition to achieve the advantages of the merger while retaining our independence, and I think to a large extent that has been achieved."

The grassroots revolt that preserved the Scottish Institute's independence says a lot about the attitudes of the business community north of the border. There is a fear that, if Scotland loses its identity, it will also lose a lot of its vitality and its ability to resist the pull to the centre, exerted these days by Paris, Brussels and Frankfurt as well as by London.

But for Mr Johnston, keeping faith with the grassroots means, for instance, running courses for members in Stornoway. "Such courses are not going to pay, but they represent a very highly valued exercise in member service," he says.

Barry Riley

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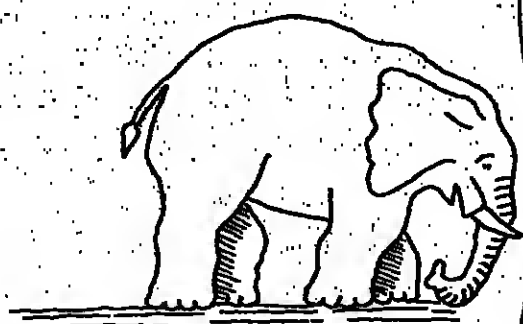
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LONDON STOCK EXCHANGE

Hanson news helps equities to steady

THE LONDON equity market looked increasingly gloomy yesterday as hopes for an early cut in base rates melted away and the Conservative government seemed fated to hear bad news from today's Monmouth by-election. However, it found sustenance at the close from the disclosure that Hanson, the UK conglomerate, was the mystery buyer of a 2.52 per cent stake in ICI.

The Hanson move was seen as positive for equities and the day's fall in the FT-SE index was restrained by the strength of ICI shares, which extended their gain in late dealings.

Trading in ICI was brisk from the opening, when the shares were marked up to match the 1194 1/2 price at which Smith New Court had apparently passed on 20m shares to its client at the close

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First Dealing	May 16
Open Dealing	May 16
Close Dealing	May 16
Settlement	May 17

These dates change only if the bank has a bank holiday on the day.

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At its final reading, the FT-SE index was a net 4.3 lower at 2,459.4, having recouped five points of an earlier loss in the few minutes left for trading following the Hanson/ICI news.

The market was on the downside for most of the day, although the Footsie was supported by the fresh advance in ICI shares. At its low point, the Footsie was 14 off at 2,445.7, and equity strategists drew heart from the market's success in rallying from Footsie

2,450, which had been identified as a testing level.

Trading volume remained poor, with only 344.8m shares traded through the Seag network compared with 507.5m on Tuesday when the ICI trades were recorded. Once again, the water stocks provided a weak sector as political worry that privatisation might be reversed by an incoming Labour government intensified ahead of the Monmouth poll. Insurance stocks responded cautiously to news from shareholders' meetings at several companies.

There was little change in the economic or political background which has been depressing equities since the last week. UK public opinion polls continued to promise ill-fortune in Monmouth for Mr John Major's government and hopes for an

early base rate cut faded yet further as government aides were reported as stressing that the inflation remains the number one priority - reports which proved more popular with government bonds than with equities.

Nor was the picture any more encouraging on the international front, where both New York and Tokyo were lower overnight and the New York market showed a further fall of nearly six Dow points as London closed down yesterday.

Wall Street oriented stocks were mostly lower in London as the Dow extended its fall below 2,500 and Federal bonds also gave ground. Oil stocks were easier, and RTZ suffered from downgrading by UK brokerage analysts. Reckitt & Coleman, another US favoured stock also gave ground.

FINANCIAL TIMES STOCK INDICES

	May 15	May 14	May 13	May 10	May 9	Year Ago	High	Low	Since Completion
Government Secs	84.33	84.33	84.78	84.94	85.03	78.91	85.88	82.17	127.4
Fixed Interest	83.57	83.91	84.10	84.11	84.12	86.13	84.84	80.59	105.4
Ordinary Shares	1226.2	1226.5	1242.6	1247.5	1246.2	1238.8	2014.5	1211.7	2811.7
Gold Mines	153.8	144.5	144.2	145.7	146.6	118.0	179.7	127.0	734.7
FT-SE 100 Share	2459.4	2463.7	2486.8	2524.3	2541.6	2221.1	2543.3	2054.8	2543.3
FT-SE Euroshare 200	1148.28	1154.15	1163.36	1172.17	1171.30	-	1176.39	1036.82	1176.39
Ord. Div. Yield	4.58	4.58	4.54	4.57	4.52	5.27	4.58	4.58	4.58
Earning Yld % (full)	8.77	8.80	8.85	8.73	8.64	11.83	8.77	8.77	8.77
P/E Ratio (Net)	14.08	14.03	13.86	14.08	14.22	10.22	14.08	14.08	14.08
SEAG Bargain 4.50p	26,129	26,463	26,782	31,104	28,389	24,385	31,104	28,389	24,385
Equity Turnover (m)	1085.10	1085.10	1085.10	1085.10	1085.10	1085.10	1085.10	1085.10	1085.10
Equity Bargain	35,270	35,270	35,270	35,270	35,270	35,270	35,270	35,270	35,270
Share Traded (m)	439.3	305.8	305.8	305.8	305.8	373.8	305.8	305.8	305.8
Ordinary Share Index, Hourly changes	Day's High 1247.5	Day's Low 1211.7	Day's High 1246.2	Day's Low 1238.8	Day's High 1246.2	Day's Low 1238.8	Day's High 1246.2	Day's Low 1238.8	Day's High 1246.2
FT-SE 100, Hourly changes	Day's High 2541.6	Day's Low 2221.1	Day's High 2543.3	Day's Low 2054.8	Day's High 2543.3	Day's Low 2054.8	Day's High 2543.3	Day's Low 2054.8	Day's High 2543.3
FT-SE Euroshare 200, Hourly changes	Day's High 1171.30	Day's Low 1036.82	Day's High 1176.39	Day's Low 1036.82	Day's High 1176.39	Day's Low 1036.82	Day's High 1176.39	Day's Low 1036.82	Day's High 1176.39

GILT EDGED ACTIVITY

Indices* May 14 May 13

Gilt Edged

Bargains 105.4 100.0

5-Day average 90.6 85.4

*SE Activity 1874.

Excluding intra-market business & Overseas turnover.

London report and latest share index: Tel. 0698 123001

ICI leads market again

THE MARKET was caught on the hop for the second day running as, just three minutes before the close of dealing yesterday, Hanson was revealed as the mystery buyer of the 20m ICI shares.

The shares, which had already raced ahead by around 10p following the announcement, were marked up to match the 1194 1/2 price at which Smith New Court had apparently passed on 20m shares to its client at the close

of trading on Tuesday. The stock soon moved higher and raced ahead after Hanson's role was revealed.

The disclosure threw ICI trading into confusion, with Seag quotation indicating that the stock could, theoretically, be bought from some marketmaker and sold on to ICI at a higher price. The final official Seag quotation put ICI 60 up at 1215 1/2 on volume of 7.5m shares. But very late deals saw the stock at 1245 before reacting

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There was little change in the economic or political background which has been depressing equities since the last week. UK public opinion polls continued to promise ill-fortune in Monmouth for Mr John Major's government and hopes for an early base rate cut faded yet further as government aides were reported as stressing that the inflation remains the number one priority - reports which proved more popular with government bonds than with equities.

Nor was the picture any more encouraging on the international front, where both New York and Tokyo were lower overnight and the New York market showed a further fall of nearly six Dow points as London closed down yesterday.

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ing of around 60 per cent. Specialists refused to dismiss the rights issue rumour, although some said any large cash call would accompany a big acquisition, probably involving gas and almost certainly in the US. It was also pointed out that there remained the threat of a heavy share placing in the form of the Kuwait Investment Office's 9.9 per cent stake in the UK government's remaining 2 per cent holding.

Another vague suggestion in the market was that BP may be in the process of preparing for the sale of a further batch of North Sea assets as part of a wider plan to shift its assets away from the area.

Burmah Castrol dropped 14 to 550p and Calor came under renewed pressure to close 4 easier at 215p, turnover in the latter was almost 500,000, well ahead of recent levels in the stock. Dealers said the weakness in Calor of late came as a result of heavy criticism of the company's performance in the recent past.

The critical remarks were made in the latest annual report of SHV, the privately owned Dutch company which holds a 44.2 per cent stake in Calor and installed an SHV director as Calor chairman earlier this year. Burmah Castrol has a 9.4 per cent shareholding in Calor.

The market interpreted SHV's disparaging remarks as bearish for Calor, but some traders said SHV may well use the weakness of Calor shares as an opportunity to launch a bid for the joint venture equity.

Another suggestion in the market was that SHV and Burmah may seek to raise cash by launching a bond issue, convertible into their respective holdings in Calor.

British Gas was up 2 1/2 p to 235 1/2 p, still boosted by the more reassuring remarks made by Mr James McKinnon of a Society of Investment Analysts gathering on Tuesday.

British Aerospace responded belatedly to a breaking news item recommendation by rising 11 to 608p. Charterhouse Tilney analyst Mr Clive Forester

said they highlighted the fact that "the drinks industry has the power to overcome substantial overhead scale economies and from ACT's strong performance".

Seabury recorded 6 to 584p after reporting final profits of £51.8m, up 56m from a year ago but still towards the lower end of analysts' forecasts. Brokers left their current year predictions unchanged at around £69.5m. The possibility of additional stock finding its way into the market as bond holders convert into equity at the beginning of the new account next week also depressed the shares.

Granada lost 4 to 189p on the surprise news that it was to be the target of a bid by a consortium that includes Yorkshire Television and Tyne Tees, which were firm at 308p and

Walker expects positive news on the Al Yamamah project with Saudi Arabia - the group's predominant profits generator - to dispel the current gloomy sentiment surrounding the stock. It is trading near a two-year P/E (price/earnings ratio) relative low, he said. "Ahead of the Paris Air show this is an anomaly".

A downward bias statement pushed Avon Rubber back 8 to 270p. Interim profits were not as bad as the market had expected because the company's defence-related activities were temporarily boosted by the Gulf crisis.

The effect on sentiment, however, was annulled by the warning that second-half trading is likely to be more difficult than the first, and that a recovery is not anticipated until 1992. Analysts subsequently clipped full year profit estimates to around £5.5m to £6m.

Diploma, the semiconductor and building supplies group, suffered similarly after reporting half-yearly profits disappointingly short of expectations. The weak earnings, caused an immediate revision of forecasts for the 12-month period.

Mr Robert Millington of B2W and Mr James Ross of Hoare Govett both moved from 215.5m to the respective levels of £1.4m and £1.1m. Consensus was another engineering stock to experience weakness, falling 15 to 240p after reporting interim profits of £2.02m. This was 55 per cent down on the £4.45m achieved for the corresponding period last year.

Computer services and services company Quotient jumped 66 to 189p on a recommended share and cash offer from fellow computer house ACT Group. The latter eased 4 to 107p on the news that the deal is likely to be dilutive in the first year. County NatWest, however, maintains that "earnings upside will come through substantial overhead scale economies and from ACT's strong performance".

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FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)

Excluding business & Overseas turnover

Inter-market business & Overseas turnover

Inter-market business & Overseas turnover

Inter-market business & Overseas turnover

Inter-market business & Overseas turnover

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AMERICANS

1991	Low	High	Stock	Price	Div	Yield	PE
11700	11700	11700	3M Co	117.00	1.50	1.30	12.00
11701	11701	11701	3M Co	117.00	1.50	1.30	12.00
11702	11702	11702	3M Co	117.00	1.50	1.30	12.00
11703	11703	11703	3M Co	117.00	1.50	1.30	12.00
11704	11704	11704	3M Co	117.00	1.50	1.30	12.00
11705	11705	11705	3M Co	117.00	1.50	1.30	12.00
11706	11706	11706	3M Co	117.00	1.50	1.30	12.00
11707	11707	11707	3M Co	117.00	1.50	1.30	12.00
11708	11708	11708	3M Co	117.00	1.50	1.30	12.00
11709	11709	11709	3M Co	117.00	1.50	1.30	12.00
11710	11710	11710	3M Co	117.00	1.50	1.30	12.00

CANADIANS

1991	Low	High	Stock	Price	Div	Yield	PE
11711	11711	11711	3M Co	117.00	1.50	1.30	12.00
11712	11712	11712	3M Co	117.00	1.50	1.30	12.00
11713	11713	11713	3M Co	117.00	1.50	1.30	12.00
11714	11714	11714	3M Co	117.00	1.50	1.30	12.00
11715	11715	11715	3M Co	117.00	1.50	1.30	12.00
11716	11716	11716	3M Co	117.00	1.50	1.30	12.00
11717	11717	11717	3M Co	117.00	1.50	1.30	12.00
11718	11718	11718	3M Co	117.00	1.50	1.30	12.00
11719	11719	11719	3M Co	117.00	1.50	1.30	12.00
11720	11720	11720	3M Co	117.00	1.50	1.30	12.00

BEERS, WINES & SPIRITS

1991	Low	High	Stock	Price	Div	Yield	PE
11721	11721	11721	3M Co	117.00	1.50	1.30	12.00
11722	11722	11722	3M Co	117.00	1.50	1.30	12.00
11723	11723	11723	3M Co	117.00	1.50	1.30	12.00
11724	11724	11724	3M Co	117.00	1.50	1.30	12.00
11725	11725	11725	3M Co	117.00	1.50	1.30	12.00
11726	11726	11726	3M Co	117.00	1.50	1.30	12.00
11727	11727	11727	3M Co	117.00	1.50	1.30	12.00
11728	11728	11728	3M Co	117.00	1.50	1.30	12.00
11729	11729	11729	3M Co	117.00	1.50	1.30	12.00
11730	11730	11730	3M Co	117.00	1.50	1.30	12.00

BUILDING, TIMBER, ROADS

1991	Low	High	Stock	Price	Div	Yield	PE
11731	11731	11731	3M Co	117.00	1.50	1.30	12.00
11732	11732	11732	3M Co	117.00	1.50	1.30	12.00
11733	11733	11733	3M Co	117.00	1.50	1.30	12.00
11734	11734	11734	3M Co	117.00	1.50	1.30	12.00
11735	11735	11735	3M Co	117.00	1.50	1.30	12.00
11736	11736	11736	3M Co	117.00	1.50	1.30	12.00
11737	11737	11737	3M Co	117.00	1.50	1.30	12.00
11738	11738	11738	3M Co	117.00	1.50	1.30	12.00
11739	11739	11739	3M Co	117.00	1.50	1.30	12.00
11740	11740	11740	3M Co	117.00	1.50	1.30	12.00

BUILDING, TIMBER, ROADS

1991	Low	High	Stock	Price	Div	Yield	PE
11741	11741	11741	3M Co	117.00	1.50	1.30	12.00
11742	11742	11742	3M Co	117.00	1.50	1.30	12.00
11743	11743	11743	3M Co	117.00	1.50	1.30	12.00
11744	11744	11744	3M Co	117.00	1.50	1.30	12.00
11745	11745	11745	3M Co	117.00	1.50	1.30	12.00
11746	11746	11746	3M Co	117.00	1.50	1.30	12.00
11747	11747	11747	3M Co	117.00	1.50	1.30	12.00
11748	11748	11748	3M Co	117.00	1.50	1.30	12.00
11749	11749	11749	3M Co	117.00	1.50	1.30	12.00
11750	11750	11750	3M Co	117.00	1.50	1.30	12.00

CHEMICALS, PLASTICS

1991	Low	High	Stock	Price	Div	Yield	PE
11751	11751	11751	3M Co	117.00	1.50	1.30	12.00
11752	11752	11752	3M Co	117.00	1.50	1.30	12.00
11753	11753	11753	3M Co	117.00	1.50	1.30	12.00
11754	11754	11754	3M Co	117.00	1.50	1.30	12.00
11755	11755	11755	3M Co	117.00	1.50	1.30	12.00
11756	11756	11756	3M Co	117.00	1.50	1.30	12.00
11757	11757	11757	3M Co	117.00	1.50	1.30	12.00
11758	11758	11758	3M Co	117.00	1.50	1.30	12.00
11759	11759	11759	3M Co	117.00	1.50	1.30	12.00
11760	11760	11760	3M Co	117.00	1.50	1.30	12.00

DRAPERY AND STORES

1991	Low	High	Stock	Price	Div	Yield	PE
11761	11761	11761	3M Co	117.00	1.50	1.30	12.00
11762	11762	11762	3M Co	117.00	1.50	1.30	12.00
11763	11763	11763	3M Co	117.00	1.50	1.30	12.00
11764	11764	11764	3M Co	117.00	1.50	1.30	12.00
11765	11765	11765	3M Co	117.00	1.50	1.30	12.00
11766	11766	11766	3M Co	117.00	1.50	1.30	12.00
11767	11767	11767	3M Co	117.00	1.50	1.30	12.00
11768	11768	11768	3M Co	117.00	1.50	1.30	12.00
11769	11769	11769	3M Co	117.00	1.50	1.30	12.00
11770	11770	11770	3M Co	117.00	1.50	1.30	12.00

ELECTRICITY

1991	Low	High	Stock	Price	Div	Yield	PE
11771	11771	11771	3M Co	117.00	1.50	1.30	12.00
11772	11772	11772	3M Co	117.00	1.50	1.30	12.00
11773	11773	11773	3M Co	117.00	1.50	1.30	12.00
11774	11774	11774	3M Co	117.00	1.50	1.30	12.00
11775	11775	11775	3M Co	117.00	1.50	1.30	12.00
11776	11776	11776	3M Co	117.00	1.50	1.30	12.00
11777	11777	11777	3M Co	117.00	1.50	1.30	12.00
11778	11778	11778	3M Co	117.00	1.50	1.30	12.00
11779	11779	11779	3M Co	117.00	1.50	1.30	12.00
11780	11780	11780	3M Co	117.00	1.50	1.30	12.00

DRAPERY AND STORES—Contd

1991	Low	High	Stock	Price	Div	Yield	PE
11781	11781	11781	3M Co	117.00	1.50	1.30	12.00
11782	11782	11782	3M Co	117.00	1.50	1.30	12.00
11783	11783	11783	3M Co	117.00	1.50	1.30	12.00
11784	11784	11784	3M Co	117.00	1.50	1.30	12.00
11785	11785	11785	3M Co	117.00	1.50	1.30	12.00
11786	11786	11786	3M Co	117.00	1.50	1.30	12.00
11787	11787	11787	3M Co	117.00	1.50	1.30	12.00
11788	11788	11788	3M Co	117.00	1.50	1.30	12.00
11789	11789	11789	3M Co	117.00	1.50	1.30	12.00
11790	11790	11790	3M Co	117.00	1.50	1.30	12.00

ELECTRICALS

1991	Low	High	Stock	Price	Div	Yield	PE
11791	11791	11791	3M Co	117.00	1.50	1.30	12.00
11792	11792	11792	3M Co	117.00	1.50	1.30	12.00
11793	11793	11793	3M Co	117.00	1.50	1.30	12.00
11794	11794	11794	3M Co	117.00	1.50	1.30	12.00
11795	11795	11795	3M Co	117.00	1.50	1.30	12.00
11796	11796	11796	3M Co	117.00	1.50	1.30	12.00
11797	11797	11797	3M Co	117.00	1.50	1.30	12.00
11798	11798	11798	3M Co	117.00	1.50	1.30	12.00
11799	11799	11799	3M Co	117.00	1.50	1.30	12.00
11800	11800	11800	3M Co	117.00	1.50	1.30	12.00

FOOD, GROCERIES, ETC

1991	Low	High	Stock	Price	Div	Yield	PE
11801	11801	11801	3M Co	117.00	1.50	1.30	12.00
11802	11802	11802	3M Co	117.00	1.50	1.30	12.00
11803	11803	11803	3M Co	117.00	1.50	1.30	12.00
11804	11804	11804	3M Co	117.00	1.50	1.30	12.00
11805	11805	11805	3M Co	117.00	1.50	1.30	12.00
11806	11806	11806	3M Co	117.00	1.50	1.30	12.00
11807	11807	11807	3M Co	117.00	1.50	1.30	12.00
11808	11808	11808	3M Co	117.00	1.50	1.30	12.00
11809	11809	11809	3M Co	117.00	1.50	1.30	12.00
11810	11810	11810	3M Co	117.00	1.50	1.30	12.00

HOTELS AND CATERERS

1991	Low	High	Stock	Price	Div	Yield	PE
11811	11811	11811	3M Co	117.00	1.50	1.30	12.00
11812	11812	11812	3M Co	117.00	1.50	1.30	12.00
11813	11813	11813	3M Co	117.00	1.50	1.30	12.00
11814	11814	11814	3M Co	117.00	1.50	1.30	12.00
11815	11815	11815	3M Co	117.00	1.50	1.30	12.00
11816	11816	11816	3M Co	117.00	1.50	1.30	12.00
11817	11817	11817	3M Co	117.00	1.50	1.30	12.00
11818	11818	11818	3M Co	117.00	1.50	1.30	12.00
11819	11819	11819	3M Co	117.00	1.50	1.30	12.00
11820	11820	11820	3M Co	117.00	1.50	1.30	12.00

INDUSTRIALS (Misc.)

1991	Low	High	Stock	Price	Div	Yield	PE
11821	11821	11821	3M Co	117.00	1.50	1.30	12.00
11822	11822	11822	3M Co	117.00	1.50	1.30	12.00
11823	11823	11823	3M Co	117.00	1.50	1.30	12.00
11824	11824	11824	3M Co	117.00	1.50	1.30	12.00
11825	11825	11825	3M Co	117.00	1.50	1.30	1

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High Yield	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	10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Information track. The moderate spread between the two extremes of the information track is caused in part by the elements laid down by the government, to protect, most of all, trust amongst people as a social network spread. As a result, the bid prices are still above the cancellation price. However, the bid prices might be below the cancellation price if the cancellation price is set at any time, usually in circumstances in which there is a large excess of orders of stocks over the demand.

TIME. The time shown amongst the best manager's name is the time of the first tick's violation until another tick by the element by the symbol amongst the individual and trust name. The symbols are as follows: (P) = 0.001 to 10.000 hours; (A) = 11.01 to 14.00 hours; (B) = 14.01 to 17.00 hours; (C) = 17.01 to 17.59 hours. Daily trading times are shown in the last column. The time shown in a short period of time any stops before prices become available.

that the newspaper editor at the time is not on the list of donors. However, he has given no definite signs of advances of the purchase of sole rights carried out. The police according to the newspaper are the most exact provided by the managers.

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INITIAL CHANGE: Change made on sale of **HISTORIC FINDINGS:** The lower 11 degrees

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

redemption price. The overdrive spread between the offer and bid prices is determined by a formula laid

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The symbols are as follows: (P) = 0001 to 1100.

point, 4 short periods of three days elapse before prices become volatile.

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Political events dominate

POLITICAL EVENTS dominated the foreign exchange on a day lacking fresh economic data.

The French franc weakened at the Paris fixing, ahead of Mr Michel Rocard's resignation as French prime minister, but steadied later as a period of political uncertainty came to an end. The D-Mark rose to FF3.3949 from FF3.3874 at the fixing, before closing at FF3.3950 in London.

In the European exchange rate mechanism the French franc remained weakest, hitting its floor against the top placed Spanish peseta.

Uncertainty surrounded the D-Mark, ahead of today's German Bundestag council meeting, amid strong rumours that Mr Karl Otto Pöhl will announce that he is to retire early as president of the central bank.

The relatively good performance by the D-Mark reflected hopes that Mr Helmut Schlesinger, Bundesbank deputy president, will succeed Mr Pöhl, and that Mr Hans Tietmeyer, a Board member, will become deputy president. If this proves correct it will reassure the market about Germany's determination to fight inflation.

The D-Mark traded steadily around the middle of the ERM and had improved to Y81.65

from Y81.20 against the Japanese yen at the London close. Inflation attracted attention in London, after Tuesday's speech by Mr Robin Leigh-Pemberton, governor of the Bank of England. He warned against cutting interest rates in an attempt to achieve faster economic growth.

Dealers saw this as a further move by the Bank of England to dampen speculation about a cut in bank base rates after publication of tomorrow's UK retail prices index. Year-on year inflation is expected to fall sharply, to perhaps 6.2 per cent, but the central bank is known to be concerned that core inflation, excluding such items as mortgages and local taxation, will remain stubbornly high.

Steady support from third to fourth strongest currency in the ERM, trading nervously ahead of today's UK election in Monmouth, where opinion

polls suggest that a majority of over 9,000 for the ruling Conservatives is likely to be overturned by the opposition Labour Party.

The pound rose 95 points to \$1.7480, but fell to DM2.9550 from DM2.9675. It improved to FF10.0300 from FF9.0175, to SF2.6000 from SF2.4800, and to Y24.25 from Y24.025. Sterling's index climbed 0.1 to 91.9.

Doubts about whether the US recession has hit bottom, expressed by Mr Gerald Corrigan, president of the Federal Reserve Bank of New York, weighed on the dollar. The currency already had a soft tone as Mr Corrigan addressed the Senate banking committee.

At the London close the dollar had fallen to DM1.6500 from DM1.7015, to SF2.4800 from SF2.4320, to FF9.7375 from FF9.7625. Its index declined to 65.4 from 65.8.

EMS EUROPEAN CURRENCY UNIT RATES

Currency	Unit	Rate	% Change	% Spread	Discrepancy
Spanish Peseta	100	127.456	-0.44	0.17	0.1
Italian Lira	1,000	2036.26	-0.28	0.19	0.1
Belgian Franc	100	40.335	-0.28	0.19	0.1
Dutch Guilder	100	2.2037	-0.05	0.19	0.1
French Franc	100	6.5596	-0.05	0.19	0.1
German Mark	100	1.9364	-0.05	0.19	0.1
Portuguese Escudo	200	200.482	-0.05	0.19	0.1
Irish Punt	100	7.8756	-0.05	0.19	0.1
Greek Drachma	100	340.750	-0.05	0.19	0.1
Yugoslav Dinar	100	13.6373	-0.05	0.19	0.1

Unit rates for the European Currency Unit (ECU) are shown in the table. The ECU is a unit of account used by the European Central Bank (ECB) and is equal to 1/12th of the sum of the unit rates of the 12 currencies.

£ IN NEW YORK

May 15	London	Previous
1.7480-1.7490	1.7480-1.7490	
1.7480-1.7490	1.7480-1.7490	
1.7480-1.7490	1.7480-1.7490	
1.7480-1.7490	1.7480-1.7490	

Forward premiums and discounts apply to the US dollar

STERLING INDEX

May 15	Previous
91.9	91.9
91.9	91.9
91.9	91.9
91.9	91.9
91.9	91.9

Source: City of London, London Stock Exchange

CURRENCY MOVEMENTS

May 15	Bank of England	Market
91.9	91.9	91.9
91.9	91.9	91.9
91.9	91.9	91.9
91.9	91.9	91.9
91.9	91.9	91.9

Source: City of London, London Stock Exchange

CURRENCY RATES

May 15	Bank of England	Market
91.9	91.9	91.9
91.9	91.9	91.9
91.9	91.9	91.9
91.9	91.9	91.9
91.9	91.9	91.9

Source: City of London, London Stock Exchange

OTHER CURRENCIES

May 15	Bank of England	Market
91.9	91.9	91.9
91.9	91.9	91.9
91.9	91.9	91.9
91.9	91.9	91.9
91.9	91.9	91.9

Source: City of London, London Stock Exchange

MONEY MARKETS

London rates firmer

THE BANK of England's warnings against lower bank base rates nudged wholesale rates higher on the London money market yesterday.

Recent market operations by the authorities have kept very short rates high, while regular official lending at 12 per cent has also signalled reluctance to allow another cut in base rates at present. This view has been backed up by comments from Mr Robin Leigh-Pemberton, governor of the Bank of England, warning against fueling inflation by lowering rates.

Three-month sterling interbank rose to 11 1/4-11 1/2 from 11 1/4-11 1/2 per cent, while

UK clearing bank base lending rate 12 per cent from April 12, 1991.

12-month money firmed to 11 1/4-11 1/2 from 11 1/4-11 1/2 per cent.

Mr Leigh-Pemberton's remarks contributed to a weakening of short sterling prices. June delivery opened lower at 88.73 and closed at 88.70, compared with 88.77 previously.

Day-to-day credit was in short supply on the money market. The Bank of England initially forecast a shortage of £1,000m, but revised this to \$950m in the afternoon. Total

assistance of £820m was provided.

An early round of help was offered and at that time the authorities bought £169m bank bills outright, in band 1 at 11 1/4 per cent. Before lunch another £375m bills were purchased, by way of £1m local authority bills in band 1 at 11 1/4 per cent and £374m bank bills in band 1 at 11 1/4-11 1/2 per cent.

In the afternoon £256m bills were bought, via £2m Treasury bills in band 1 at 11 1/4 per cent and £254m bank bills in band 1 at 11 1/4 per cent. Late assistance of around £20m was also provided.

Bills maturing in official bands, repayment of late assistance and a take-up of Treasury bills drained £830m, with exchequer transactions absorbing £165m, a rise in the note circulation £50m, and bank balances below target £95m.

In Frankfurt call money eased to 8.80 from 8.85 per cent as the German Bundesbank added a net DM2.1bn to money market liquidity at this week's securities repurchase tender.

The central bank accepted bids totalling DM27.9bn, made up of DM19bn of 35-day funds at 8.80 per cent and DM8.9bn of 63-day money, mostly at 8.90 per cent.

This offset two expiring facilities totalling DM25.8bn. Trading was subdued, overshadowed by rumours that Mr Karl Otto Pöhl is to retire early as Bundesbank president.

FINANCIAL FUTURES AND OPTIONS

LIFE LONG GILT FUTURES OPTIONS

Strike	Call	Put	Call	Put
87	1.45	1.15	0.01	0.01
88	1.45	1.15	0.01	0.01
89	1.45	1.15	0.01	0.01
90	1.45	1.15	0.01	0.01
91	1.45	1.15	0.01	0.01

Estimated volume total, Call 1500 Puts 2291
Previous day's open int. Call 2935 Puts 20126

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Estimated volume total, Call 1500 Puts 2291
Previous day's open int. Call 2935 Puts 20126

MONEY MARKET FUNDS

Money Market Trust Funds

Trust Fund	Assets	Liabilities	Net Assets
City of London	1.45	1.15	0.01
London Stock Exchange	1.45	1.15	0.01
London City	1.45	1.15	0.01
London City	1.45	1.15	0.01
London City	1.45	1.15	0.01

Money Market Bank Accounts

Bank Account	Assets	Liabilities	Net Assets
City of London	1.45	1.15	0.01
London Stock Exchange	1.45	1.15	0.01
London City	1.45	1.15	0.01
London City	1.45	1.15	0.01
London City	1.45	1.15	0.01

Money Market Bank Accounts

Bank Account	Assets	Liabilities	Net Assets
City of London	1.45	1.15	0.01
London Stock Exchange	1.45	1.15	0.01
London City	1.45	1.15	0.01
London City	1.45	1.15	0.01
London City	1.45	1.15	0.01

WORLD STOCK MARKETS

[illegible][illegible]

INDICES																	
NEW YORK					1991												
DOW JONES																	
	May	14	16	May													
					HIGH		Since completion		HIGH		May 14		May 15		May 16		
					1001	1001	1001	1001	1001	1001	1001	1001	1001	1001	1001	1001	
ghetrates	2886.85	2924.42	2920.17	2927.15	1001	1001	1001	1001	1001	1001	1001	1001	1001	1001	1001	1001	
Home Bonds	94.84	94.81	94.87	95.06	1001	1001	1001	1001	1001	1001	1001	1001	1001	1001	1001	1001	
Transport	1159.73	1181.06	1187.24	1202.57	1001	1001	1001	1001	1001	1001	1001	1001	1001	1001	1001	1001	
	208.82	212.02	210.39	214.10	1001	1001	1001	1001	1001	1001	1001	1001	1001	1001	1001	1001	
40th's High 2912.17 (2945.44) Low 2877.71 (2896.20)																	
STANOARD AND POOR'S																	
Composite	371.62	376.76	375.74	383.56	390.45	314.49	390.45	4.49	390.45	4.49	390.45	4.49	390.45	4.49	390.45	4.49	
Industrial	483.86	499.45	497.46	457.80	463.25	364.00	463.25	3.62	463.25	3.62	463.25	3.62	463.25	3.62	463.25	3.62	
Financial	284.04	291.25	291.32	286.10	284.04	291.25	284.04	291.25	284.04	291.25	284.04	291.25	284.04	291.25	284.04	291.25	
NYSE Composite	203.67	206.78	206.87	209.48	213.21	176.97	213.21	4.16	213.21	4.16	213.21	4.16	213.21	4.16	213.21	4.16	
Amex Mid. Value	350.25	363.32	364.02	366.36	350.25	363.32	350.25	363.32	350.25	363.32	350.25	363.32	350.25	363.32	350.25	363.32	
NASDAQ Composite	488.79	493.93	493.42	497.81	488.79	493.93	488.79	493.93	488.79	493.93	488.79	493.93	488.79	493.93	488.79	493.93	
Dow Industrial Div. Yield																	
	3.14	3.44	3.47	3.59	3.14	3.44	3.14	3.44	3.14	3.44	3.14	3.44	3.14	3.44	3.14	3.44	
S & P Industrial div. yield	2.78	2.78	2.74	3.07	2.78	2.78	2.78	3.07	2.78	2.78	2.78	3.07	2.78	2.78	2.78	3.07	
S & P Ind. Yield	38.53	38.57	38.58	39.28	38.53	38.57	38.53	39.28	38.53	38.57	38.53	39.28	38.53	38.57	38.53	39.28	
NEW YORK ACTIVE STOCKS																	
TRADING ACTIVITY																	
↑ Volume																	
Millions																	
	May	14	May	15	May	14	May	15	May	14	May	15	May	14	May	15	May
Tuesday	35,541,100	25	14	14	35,541,100	25	14	14	35,541,100	25	14	14	35,541,100	25	14	14	35,541,100
NYSE-Membrans	35,541,100	25	14	14	35,541,100	25	14	14	35,541,100	25	14	14	35,541,100	25	14	14	35,541,100
NYSE-400	3,734,900	25	14	14	3,734,900	25	14	14	3,734,900	25	14	14	3,734,900	25	14	14	3,734,900
Amex Express	3,009,400	24	14	14	3,009,400	24	14	14	3,009,400	24	14	14	3,009,400	24	14	14	3,009,400
NYSE-400	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500
NYSE-400	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500
NYSE-400	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500
NYSE-400	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500
NYSE-400	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500
NYSE-400	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500
NYSE-400	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500
NYSE-400	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500
NYSE-400	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500
NYSE-400	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500
NYSE-400	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500
NYSE-400	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500
NYSE-400	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500
NYSE-400	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500
NYSE-400	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500
NYSE-400	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500
NYSE-400	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500
NYSE-400	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500
NYSE-400	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500
NYSE-400	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500
NYSE-400	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500
NYSE-400	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500
NYSE-400	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500
NYSE-400	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500
NYSE-400	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500
NYSE-400	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500
NYSE-400	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500	26	14	14	3,985,500
NYSE-400	3,985,500	26															

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FT SURVEYS

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3:15 pm prices May 15

[illegible]

Continued on next page

NASDAQ NATIONAL MARKET[illegible]

3:00 pm prices May 15

[illegible]

FT SURVEYS

3:15 pm prices May 15

[illegible]

FT SURVEYS

AMERICA

Compaq warning leaves technology stocks weak

Wall Street

THE STOCK market fell further yesterday morning in the wake of Tuesday's big decline, depressed by an unexpectedly fierce profit warning from Compaq Computer, writes Patrick Harrison in New York.

At 1.30 pm the Dow Jones was down 10.73 at 2,876.12, having spent the morning a few points either side of the opening mark. The broader-based Standard & Poor's 500 was also lower, down 1.18 at 370.44 at 1 pm. The Nasdaq composite of over the counter stocks was again the market's worst performing index, falling 7.75 to 491.01. Turnover on the NYSE was 1,070m shares by 1 pm, with declines outnumbering advances by 831 to 648.

Compaq was undoubtedly the feature of the day, dragging the technology sector down with it. Compaq plunged 11.1%, or almost 25 per cent, to \$37.40 on turnover of 4.7m shares after the company warned that second quarter earnings this year would be at least 15 per cent below the income earned at the same stage in 1990.

The warning prompted a

buried round of dowgrades from Wall Street analysts, and led to falls in other technology stocks. IBM slid \$2 to \$108.75, Digital Equipment fell \$2 to \$85, Apple lost \$3 to \$50 and Hewlett Packard gave up \$1.74 to \$44.75.

Wells Fargo, the West Coast banking group, climbed \$2 to \$88.40 after Berkshire Hathaway, the investment vehicle for financier Mr Warren Buffett, filed with the Federal Reserve for approval to raise its stake in the bank from 8.7 per cent to 22 per cent.

On the over the counter market Ameritrust, the Midwest commercial banking group, jumped 1% to \$16.40 after it confirmed that it had been approached by several companies wishing to discuss a possible merger.

Although Ameritrust would not say who had proposed the talks, analysts suggested that those banks most likely to have approached the bank were Banc One, down 1% at \$36.75, National City, unchanged at \$36.75, and NBD Bancorp, up 1% at \$37.40.

Trading in Automatic Data Processing was delayed for an order imbalance as sellers queued up after several ana-

lysts who met the company on Tuesday issued bearish comments on the stock. When trading reopened Automatic Data fell \$3 to \$32.40.

El Paso Refinery plummeted \$3 to \$15 after the company reported a first quarter loss of 17 cents a share, compared with a profit of 16 cents a share a year earlier.

Canada

TORONTO stocks recovered from a mid-morning downswing and were flat in the listless, midday trade. The composite index ended 1.2 to 3,461.2 after fluctuating between 3,457.7 and 3,465.0. Declines led advances by 201 to 161 on volume of 14.54m shares.

Gold shares rose on firmer world bullion prices. Placer Dome added 1% to \$25.75, Teck class B rose 1% to \$22.75 and Echo Bay gained 1% to \$28.75. Laidlaw's class B shares climbed 1% to \$22.75 after a 1% loss of \$21.75, after testing support at \$21.75. The waste management company said that it is analysing the contents of 27 barrels and 20 containers discovered on its wholly-owned Quebec waste site for hazardous materials.

First-quarter enthusiasm begins to wane in April

William Cochrane reviews last month's turnover figures for European bourses

EUROPEAN EQUITIES TURNOVER

Monthly total in local currencies (bn)

Source	Jan 1991	Feb 1991	Mar 1991	Apr 1991	US \$bn
Belgium	21.59	41.52	45.48	45.46	1.29
France	179.00	1108.80	110.40	110.00	18.97
Germany	51.40	120.90	122.80	125.80	73.27
Italy	8,872.40	15,982.40	15,063.00	12,316.00	5.89
Netherlands	11.02	18.88	15.90	14.20	7.34
Spain	498.48	742.81	803.60	851.51	6.14
Switzerland	12.00	14.20	113.88	14.80	10.07
UK	24.50	31.87	36.76	31.61	54.47

Volumes represent purchases and sales. * Provisional figure. † Revised figure. Dollar data adjusted to include off-market trading. Some figures may be revised. Source: County NatWest/Wood.

of April, were running out of steam by the end of the month. "Volumes there have become weaker since," he observes.

The UK, which was the star performer in March with a 15 per cent turnover gain, dropped out of the reckoning in April as business fell back to its February level.

Investors attracted back to London by a relatively neutral budget, interest rate cuts and a

more positive perception of the economy, began to feel that share prices had had their run and that there was little left to go for.

This month, the UK government and the Bank of England seem to be at loggerheads over interest rates, and, says Mr Cochrane, the Tory losses in council elections have given investors the opportunity to do nothing. "As prime minister,

Mr Major is now neither popular nor unpopular enough to move stock market sentiment in a big way," he adds.

Italy may be an exception to the general trend. In February and March volume was very strong; April's fall may have been exceptional, as it was thought that the government was taking longer to produce expected interest rate cuts than was absolutely necessary. However, the cuts have arrived in May, and turnover has been picking up in recent days.

Spain, also, had moved up to high levels in February and March. Once again, economic news is expected to be on an improving trend, but here people are expecting interest rate cuts later in the year.

Germany's turnover held up well through most of April because investment advisers, particularly Mr David Roche, strategist at Morgan Stanley in London, changed tack and recommended Frankfurt as a laggard market.

In its recent Germany monthly, Kleinwort Benson noted that the DAX index had managed to establish a new, higher trading range above the 1,600 level. However, the bourse has also had to digest a CDU state election defeat, high wage awards and, this week, across rumours that Mr Karl Otto Pöhl, president of the Bundesbank, would tender his resignation today.

France, as so often happens, is being accused of vices to which other countries are slow to admit. After holding its ground in April, with the help of a highly speculative atmosphere towards the end of the month, it has quietened considerably.

Professionals have been taking holidays such as May Day, and bridging the gap with more leisure time between the official holiday and the weekend. In France and elsewhere, they might feel they had earned their time after the fearful autumn of 1990.

ASIA PACIFIC

Nikkei falls below 26,000 on index-related selling

Tokyo

THE OVERNIGHT fall on Wall Street and index-related selling pushed the Nikkei average below the support level of 26,000 for the first time since March 13, writes Emilio Teramo in Tokyo.

The average closed down 207.51 at 25,822.47, after a day's low of 25,741.89. It had opened at the day's high of 26,001.68. Losses outnumbered gains by 684 to 268, with 155 issues unchanged, and volume remained weak at 260m shares after 270m. The Nikkei index of all first section stocks slipped 7.46 to 1,965.60, and in London trading the ISE/Nikkei 50 index eased 2.51 to 1,461.22.

Traders assessed the possible downside support for the Nikkei average. Mr Jerry Johnson at SBC said the next level was seen at 25,700, although he expected the Nikkei to hover around 26,000 for now.

Some investors bought interest rate-sensitive large-capital stocks, which are also viewed as laggards, after a fall in the overnight call rate below 8 per cent for the second day. Mitsubishi Heavy Industries, the day's most active stock, advanced Y9 to Y760.

A 12.9 per cent month-on-month rise in March shipbuilding orders, after a decline in February, buoyed shipbuilding issues. Hitachi Zosen climbed Y9 to Y639.

Some construction shares were stronger in spite of news that Japan's second largest condominium maker had sought support from its creditors. Kajima moved ahead Y40 to Y1,500, on the company's expected stable growth, and Taisei gained Y12 to Y844.

Suzuki Motor, which had risen on Tuesday after upward earnings revisions, lost Y15 to Y701 on profit-taking.

Other issues that had risen recently on the back of strong earnings prospects held their ground. Akasaka Diesels, the diesel engine maker, added Y100 at Y1,170 on projections of

a 27 per cent rise in pre-tax profits for the current year, and a 20 per cent rise in after-tax profits to Y1,180 on a forecast of 20 per cent higher pre-tax profits.

Regional banks which were strong on Tuesday retreated on profit-taking, but investors showed interest in other stocks in the sector. Jojo Bank shed 1% to Y1,100. Daiwa Bank fell Y20 to Y908.

In Osaka, the OSE average dipped 222.26 to 25,657.17 on volume of 24.1m shares, against 24.7m. Murata lost a further Y30 to Y2,570; electrical issues have been weak since Pioneer Electronics' unexpected downward earnings revision this week.

Nintendo, the video game manufacturer, receded Y600 to Y14,700 on concern over heavy margin positions.

Roundup

PACIFIC Rim markets focused on domestic matters yesterday. Bombay was closed.

TAIWAN suffered the year's biggest single-day fall on growth concerns over the arrest of a student. The weighted index tumbled 397.07 or 6.5 per cent to 5,728.72. Turnover rose to T\$63.1bn from T\$48.8bn.

Worries over record margin lending also weighed on the market. Margin lending reached an all-time high of T\$77bn on Saturday.

AUSTRALIA recovered from an early low after the first-quarter consumer price index report showed the lowest inflation rate since 1985, raising hopes of a further reduction in interest rates.

The All Ordinaries index ended a net 0.3 up at 1,519.2, after a day's low of 1,503.6. Turnover expanded to A\$265m from A\$217m. News Corp fell 30 cents to A\$8.40 before announcing an operating loss after tax of A\$204.7m for the fiscal third quarter.

NEW ZEALAND was helped by a recovery in Fletcher Challenge after its two-day drop. Following an early decline, the Barclays Index closed 9.32

ahead on balance at 1,506.63. Turnover dipped to NZ\$11.6m from NZ\$12.9m.

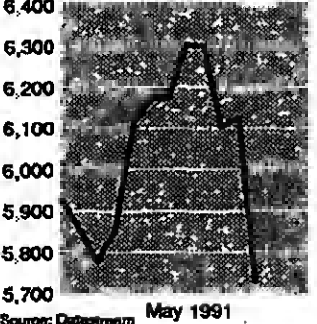
Fletcher Challenge improved 3 cents to NZ\$3.81 on volume of 700,000 shares. It had lost 26 cents or 6 per cent in the previous two sessions after the company placed NZ\$29.5m worth of new shares.

Lion Nathan firmed 2 cents to NZ\$3.39. After the close it said operating profit after tax rose 16 per cent to NZ\$37.6m in its fiscal first half, in line with expectations.

MANILA looked ahead to the public offering of Ayala Land.

Taiwan

Weighted Index



The composite index declined 1.38 to 1,244.48 in turnover of 217.7m shares, after 227.6m. The composite index closed at 622.17, down 6.44, on turnover of 50m shares or 5.9 per cent of Ayala Land, a subsidiary of Ayala Corp, will be offered at 26 pesos each early next month.

SEOUL weakened as political and social unrest continued. The composite index closed at 622.17, down 6.44, on turnover of 50m shares or 5.9 per cent of Ayala Land, a subsidiary of Ayala Corp, will be offered at 26 pesos each early next month.

HONG KONG'S Hang Seng index gained 4.55 to 3,789.69 and turnover was little changed at HK\$1.21m. SINGAPORE'S Straits Times Industrial index fell 11.75 to 1,513.40 in turnover of S\$83.7m, down from S\$88.5m. KUALA LUMPUR's composite index sank 6.43 to 580.69 in volume of 31.6m shares (32.6m).

EUROPE

Generali's heavy rights issue upsets Milan

GENERALI's rights issue had its expected effect on Italy yesterday, as most bourses closed lower. The possible resignation of the Bundesbank president continued to concern investors, but the departure of the French Prime Minister had been discounted. Madrid was closed for a local holiday, writes Our Markets Staff.

MILAN closed the May trading account on a weak note, weighed down by Tuesday's late news of a heavy rights issue by Generali. Analysts said that the market had been taken unaware by the size and the timing of the cash call, which dashed hopes of a rally in the new account following the discount rate cut.

The Comit index fell 6.76 or 1.2 per cent to 577.06 in turnover estimated at near Tuesday's relatively high 1,165m.

Generali was officially set at L35,680, down L1,090 or 2.9 per cent, and eased to L35,150 later. Most of the selling was reportedly from Milan, and the share price is expected to remain under pressure for some time as speculators sold holdings.

Traders detected corporate support for Fiat, which is due to announce 1990 earnings next week. Opinion is still divided on whether the carmaker will cut its dividend or not. Fiat rose L5 to L6,418.

The Consob has relaxed its deposit requirements for future contracts and short sales. From today investors are required to deposit only 50 per cent of the value of stocks ordered for the end of the trading month as opposed to 100 per cent previously.

FRANKFURT drifted lower for the third day in succession on the weak Wall Street overnight close, on hardening signs that Bundesbank president Karl Otto Pöhl would announce his resignation today and on the continued rise in domestic interest rates.

The DAX index closed 8.15 lower at 1,590.35 after a 4.27 fall to 673.03 in the FAZ at midday. The volume rose from DM4.1bn to DM4.5bn.

Mr Jens Weickardt of Merck Finc in Düsseldorf said that

Mr Pöhl's departure, strongly indicated by Chancellor Helmut Kohl yesterday, was now in share prices, and that he was satisfied that the Bundesbank would keep its independence under a successor.

However, he said, Wall Street was leading European bourses more than usual in their present consolidation phase. German recovery hopes, which need interest rates to go down, were not helped yesterday as the rate on German government Bundesobligationen, or five-year notes, was lifted from 8.39 to 8.49 per cent.

Hoechst's first quarter results were as expected and the shares went down with the market, falling DM1.40 to DM258.20. Bad news on the dividend pushed Lufthansa DM3.50 lower to DM156, but Douglas ignored retail sector weakness to gain DM14 to DM784, up DM25 over two days, on higher profits and dividend and a one-for-eight rights issue at DM50.

Freusag said that it aimed to lift its dividend payment from DM8 to DM9 a share, but

FT-SE Eurotrack 100 - May 15

Hourly changes					
Open	10 am	11 am	12 noon	3 pm	Close
1106.33	1107.61	1107.40	1107.28	1106.33	1106.33
Day's High 1108.84					
Day's Low 1106.33					
May 14	May 13	May 10	May 8	May 5	
-1116.47	1125.32	1130.62	1125.62	1118.87	

Base value 1000 (percentages)

Source: County NatWest/Wood

the stock fell DM4 to DM328.50; the engineer and steelmaker is going to an earlier dividend today and foreign holders tend to sell shares cum dividend. Metallgesellschaft fell another DM11.50 to DM506 but, said Mr Weickardt, it was still on a p/e of about 22.

PARIS had anticipated the resignation of Prime Minister Michel Rocard, and took the news of his departure and the appointment of Ms Edith Cresson in his stride. The removal of the political uncertainty helped the CAC 40 index recover from a day's low of 1,768.47, to close 2.94 down at 1,802.63. Turnover improved to about FF1.5bn from Tuesday's thin FF1.2bn.

on renewed takeover rumours.

Royal Dutch fell FF1.60 to FF155.70 ahead its first quarter 1991 figures, due today. DSM, the sugar producer, which reported a 13 per cent increase in 1990/91 first-half net profits, eased 70 cents to FF83.60.

Ahold, the retailer, eased 80 cents to FF162 in spite of falling shareholders that results for the first quarter of 1991 were higher than a year ago, and that full-year figures should exceed those of 1990.

BRISSELS saw a BF195, or 8.9 per cent, fall to BF155.55 in Immobilière de Belgique, Société Générale de Belgique, which it had sold its 51 per cent stake in the property company to Tractebel, its energy holding company associate, causing hopes of a fall takeover to evaporate. The Bel 20 index lost 8.57 to 1,178.19.

STOCKHOLM continued to be dominated by Astra, which accounted for SKR140m of the total volume of SKR613m, down from Tuesday's SKR440m. Astra's free Bc rose SKR4 to SKR600. The Aftervärlden General index fell 3.8 to 1,081.5.



UCB in 1990

UCB has during 1990 strengthened its world leadership in medical products, specialty and intermediate chemicals, as well as packaging films.

Consolidated turnover of BF 43,000 million is of the same order as in the previous year. Profits of BF 2,300 million are at a level slightly higher than in 1989. Cash flow amounted to BF 4,200 million.

Expenditure on investments and research amounts to almost BF 5,000 million in 1990. Numbers employed in the Group remain stable, at the level of 7,900, despite major reorganisations undertaken in the Film Sector.



The Annual Report is available on request from UCB, External Relations Dept., Avenue Louise 326, B-1050 Brussels.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY MAY 14 1991							MONDAY MAY 13 1991							DOLLAR INDEX			
	US Dollar Index	Day's Change %	Point	Ytd Index	Local Index	Local % chg	Gross Dk. Vol.	US Dollar Index	Point	Ytd Index	Local Index	Local % chg	Gross Dk. Vol.	1991 High	1991 Low	Year to Date (Percent)		
Australia (74)	143.05	+0.5	122.00	124.97	126.55	122.38	-0.3	5.63	143.74	123.04	126.66	128.09	122.75	147.30	117.04	135.99		
Austria (19)	201.21	+0.2	171.59	173.78	173.00	173.30	-0.3	1.47	200.82	171.90	176.95	178.96	179.77	187.00	172.00	170.00		
Belgium (60)	138.92	+1.7	118.47	121.35	122.88	120.06	+0.5	4.93	138.68	116.98	120.41	121.78	118.47	151.20	121.73	161.51		
Canada (117)	138.92	+1.0	118.47	121.35	122.88	120.06	+0.5	3.51	138.29	116.37	121.86	122.22	115.18	141.00	126.49	135.72		
Denmark (21)	238.69	+0.8	204.41	203.63	212.03	212.50	+0.4	1.58	237.29	203.51	212.1	212.78	210.68	271.74	204.00	177.84		
Finland (21)	115.31	+0.0	98.33	100.73	102.00	97.35	+0.0	2.49	115.28	98.08	101.59	102.73	97.37	126.15	97.37	126.15		
France (112)	137.96	+0.7	117.85	120.51	122.03	124.70	-1.4	3.50	138.86	116.87	122.35	123.45	122.35	126.45	126.45	135.54		
Germany (88)	110.84	+0.2	94.35	96.87	97.87	97.87	0.5	2.31	110.43	94.53	97.32	98.40	95.40	125.23	102.43	127.52		
Hong Kong (47)	155.83	+0.6	132.89	138.13	137.86	155.87	+0.6	4.39	154.93	132.82	136.62	138.07	154.97	119.62	122.12	122.12		
Ireland (17)	158.37	+0.1	133.35	136.60	138.32	140.74	+0.3	3.99	156.25	133.75	137.09	139.24	141.18	182.48	158.85	158.85		
Italy (81)	79.23	+1.6	67.88	69.21	70.08	74.68	+0.7	3.25	77.98	68.78	69.72	69.50	74.03	98.23	72.06	104.12		
Japan (628)	138.95	+0.7	118.41	121.29	122.84	121.29	0.2	0.71	137.94	118.09	121.35	122.84	121.35	149.87	118.35	163.36		
Malaysia (33)	230.01	+0.2	196.15	200.92	203.46	244.40	+0.2	3.10	229.54	196.49	202.25	204.54	247.76	192.93	204.54	204.54		
Mexico (12)	990.72	+2.6	844.89	865.48	876.40	924.06	+2.6	0.27	993.40	844.89	865.48	876.40	924.06	1,051.58	876.40	876.40		
Netherlands (46)	140.82	+0.5	120.08	123.02	124.57	123.21	-1.0	4.28	141.25	120.91	124.47	125.87	124.43	145.73	125.70	141.92		
New Zealand (14)	51.16	+2.8	43.65	44.72	45.26	46.25	-2.8	7.90	52.72	45.18	46.48	47.58	46.48	54.94	41.16	63.36		
Norway (30)	207.10	+0.8	178.61	180.92	183.21	186.30	-1.8	1.62	208.80	178.73	183.99	186.07	189.74	223.24	186.07	189.74		
Singapore (28)	201.82	+0.6	172.11	176.31	178.58	184.62	+0.8	2.03	200.23	171.39	176.44	178.48	183.32	206.26	181.53	193.59		
South Africa (50)	235.60	+0.1	175.19	180.48	182.76			3.78	208.26	177.09	180.29	184.34	170.34	208.87	173.00	188.17		
Spain (41)	183.48	+1.6	139.42	142.82	144.92	139.42	+0.7	4.34	185.90	137.73	141.78	148.38	128.45	183.17	131.51	168.99		
Sweden (23)	176.60	+0.7	152.35	155.07	157.98	154.74	+0.1	2.70	177.25	152.45	155.25	158.05	154.51	174.12	146.80	161.84		
Switzerland (65)	94.10	+0.7	80.30	82.26	83.31	83.80	-0.1	2.42	93.50	80.07	82.43	85.38	83.83	106.72	82.17	100.57		
United Kingdom (295)	172.08	+0.5	145.75	150.31	152.20	146.75	-0.9	4.85	172.94	143.03	152.37	155.08	148.03	187.44	158.27	148.35		
USA (524)	150.55	-1.3	126.39	131.92	132.16	160.55	-1.3	3.25	152.99	126.02	134.46	136.09	162.59	158.24	126.35	143.11		
Australia (837)	138.86	+0.0	118.12	122.01	125.55	121.42	-0.8	3.90	139.70	115.99	123.10	124.50	122.18	151.52	125.50	143.69		
Canada (100)	173.97	+0.5	152.83	158.35	158.32	154.38	-0.2	2.09	173.06	152.42	156.61	157.89	154.71	200.81	155.95	158.04		
France Pacific Basin (845)	138.23	+0.6	116.74	121.63	123.17	122.08	-0.2	1.05	138.41	114.88	121.95	123.34	122.38	145.92	117.88	151.58		
Hong Kong Pacific (1583)	159.20	+0.6	132.89	138.13	137.86	155.87	+0.6	4.39	154.93	132.82	136.62	138.07	154.97	119.62	122.12	122.12		
India Pacific (1682)	146.82	-1.3	127.80	130.72	132.48	140.10	-1.3	3.27	151.62	122.99	132.63	134.14	150.07	170.47	129.14	129.14		
Japan Ex. UK (642)	119.80	+0.3	102.26	104.78	106.08	106.58	-0.4	3.17	119.50	102.22	106.58	106.51	107.04	124.60	106.51	137.65		
Japan Ex. Japan (143)	142.79	-0.1	121.72	124.70	126.27	127.33	+0.0	4.87	142.94	122.25	125.89	126.37	127.39	144.83	111.40	129.54		
United Kingdom Ex. UK (177)	140.82	+0.4	120.08	123.02	124.58	123.27	-0.3	4.28	141.26	120.73	124.48	125.12	124.18	145.18	125.12	145.88		
United Kingdom Ex. Japan (177)	140.82	+0.4	120.08	123.02	124.58	123.27	-0.3	2.35	140.80	120.73	124.48	125.12	124.18	145.18	125.12	145.88		
United States Ex. So. Af. (2235)	142.65	-0.3	121.85	124.82	126.20	131.80	-0.7	2.61	143.07	122.47	126.89	127.50	131.20	145.16	126.89	145.16		
United States Ex. Japan (134)	146.62	-0.6	126.04	128.12	129.72	137.52	-1.0	3.56	147.73	126.46	130.19	131.67	138.84	162.83	126.46	145.19		
World Index (2295)	143.03	-0.3	121.96	124.96	126.54	131.92	-0.7	2.62	143.45	126.00	126.41	127.34	132.67	149.81	126.29	145.19		